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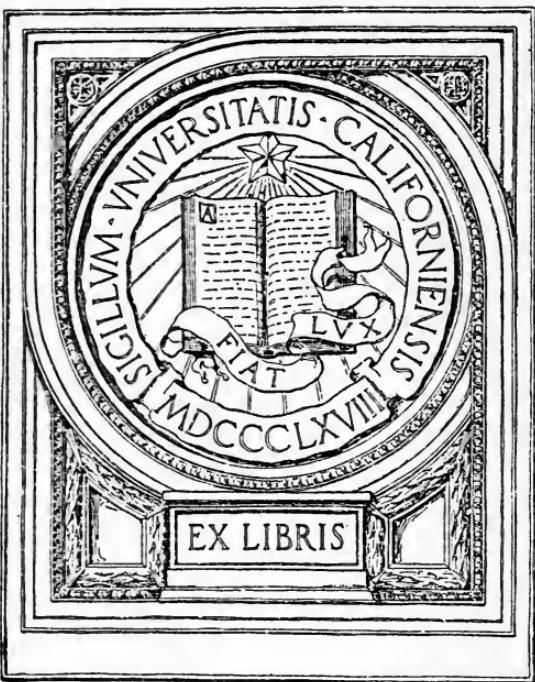


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SELECTED ARTICLES

ON

MUNICIPAL OWNERSHIP

COMPILED BY  
JOY E. MORGAN  
AND  
EDNA D. BULLOCK

*Second and Enlarged Edition*

THE H. W. WILSON COMPANY  
WHITE PLAINS, N. Y. and NEW YORK CITY  
1914

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## EXPLANATORY NOTE

The vast quantity of literature concerning municipal ownership, much of which has been produced within the last few years, is in itself complete evidence of the rapidly widening interest in our public municipal utilities. The material here collected has been gathered and arranged for (1) debaters, (2) students of municipal problems, and (3) others desiring compact information on municipal ownership.

The arrangement is natural and logical. First occurs the brief to acquaint the student with the scope and general analysis of the question and the arguments pro and con in outline form. The table of contents precedes the brief. The reprints are arranged in the order of the brief as far as practicable. The bibliography is sufficiently complete to include all important material, yet not so inclusive as to be bewildering to the inexperienced investigator. Annotations have been added where they would be of real value to the student.

In view of the vast amount of material on this subject, prejudiced, popular, and scientific, it is believed that this book will furnish, not only an inexpensive practical method of supplying material on municipal ownership, but will be a guide as well to the novice and the veteran student.

## EXPLANATORY NOTE TO SECOND EDITION

In this revised edition the additional reprints are found in the concluding pages. They consist chiefly of material on municipal transportation, a subject upon which there is little available literature relating to American conditions.

December, 1913.



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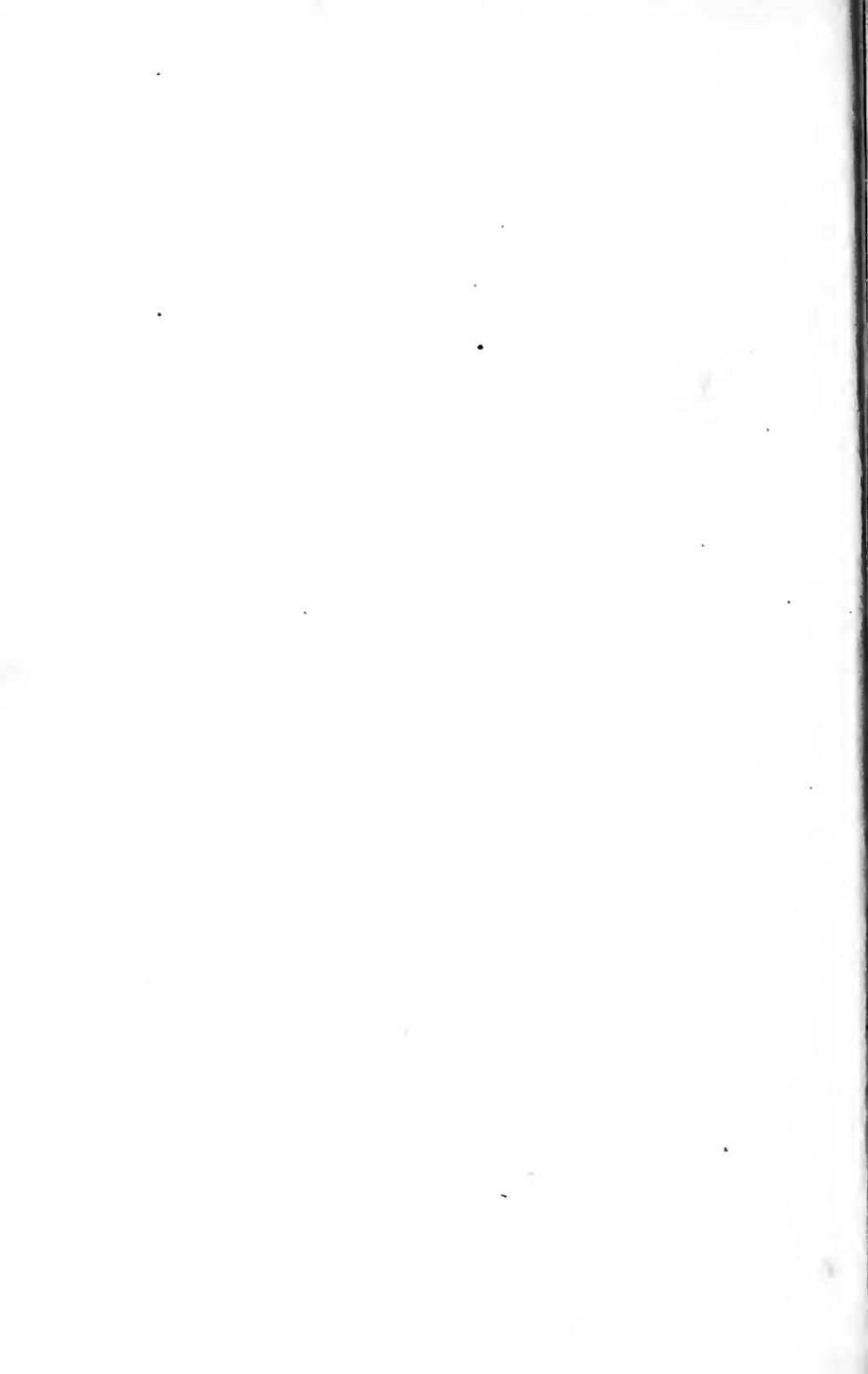
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## BRIEF

Resolved, That municipalities in the United States should own and operate plants for supplying light, water, and transportation.

### INTRODUCTION

- I. The question is important.
  - A. Transportation is inseparably connected with questions of congestion of population, slums, and tenements, and water and light concern intimately the health and comfort of the people and the safety of the community.
  - B. Stupendous financial interests are involved.
  - C. A vast majority of every community is directly concerned.
- II. It is generally granted.
  - A. That there are three methods by which municipalities may deal with natural monopolies.
    1. They may grant private companies franchises to build and operate plants.
    2. They may build or purchase plants and lease them to private companies for operation.
    3. They may own and operate the plants themselves.
  - B. In American municipalities the first method is almost universal in the case of street railways and quite common in the case of water and lighting plants.
  - C. The question is whether the last method is preferable to the others.
- III. The solution of the question seems to present four main issues.
  - A. Is the ownership and operation of light, water, and transportation plants a municipal function?

- B. Is the system of private ownership of natural municipal monopolies in the United States objectionable?
- C. Would the objectionable features of private ownership, if they exist, be remedied by municipal ownership and operation?
- D. Does the experience of this and other countries show that municipal ownership is more successful in practice than private ownership?

#### AFFIRMATIVE

The affirmative believes that municipalities should own and operate their light, water, and transportation plants, for,

- I. The ownership and operation of these utilities is a proper function of municipal government.
  - A. The ends of government embrace all the benefits and all the immunities from evil which government can confer.
  - B. It is not socialism.
- II. Private ownership is objectionable because it gives rise to great evils.
  - A. There is great waste of forces.
    - i. Business is not regulated by competition.
  - B. The public is plundered.
    - i. Enormous dividends are secured from franchises which belong to the public.
  - C. The public is dependent on those who own the monopolies.
  - D. Public moral standards are lowered by bribery and corruption.
    - i. The companies spend large sums controlling boards of aldermen.
- III. Municipal ownership remedies the evils of private ownership and is followed by great advantages.
  - A. Plants are run for the benefit of the public.
  - B. Rates of service are lowered.
  - C. Whatever profits are made lessen taxation.
  - D. Needless investment and speculation is checked

- E. Regularity and economy of administration is insured.
  - I. Close watch is kept by every taxpayer who is virtually a stockholder.

- IV. Municipal ownership and operation is more successful in practice than private ownership and operation.
  - A. In operating water plants.
  - B. In operating gas plants.
  - C. In operating plants for transportation.

#### NEGATIVE

The negative believes that municipalities should not own and operate their light, water, and transporation plants, for,

- I. Municipal ownership of these utilities is unwise in theory.
  - A. It is not a proper function of government.
    - I. It is not necessary for the promotion of intelligence, the care of the unfortunate, or to establish justice.
  - B. It increases government interference in the field of private action.
  - C. It deprives industry of the moral and economic advantage of self interest.
- II. Municipal ownership is financially disastrous.
  - A. Waste and extravagance result.
    - 1. Those in charge have little skill or experience.
    - 2. They have little interest in an economic administration.
  - B. There is a constant tendency to rely on the city's ability to tax to make up deficiencies.
  - C. There is slight chance of extra revenue.
    - 1. The clamor for low rates precludes the possibility of extra revenue.
- III. Municipal ownership is inefficient.
  - A. It is not awake to new inventions.
  - B. The service does not secure the best men.
    - 1. The salary is insufficient.
    - 2. Opportunity for advancement is too meager.

- C. The service is subject to the change of political parties.
- IV. The present status of American city government precludes further consideration of the question.
  - A. Most American cities have failed to do efficiently what they already have to do.
    - 1. Jobbery and corruption are common.
    - 2. The police service is poor.
    - 3. Laws are not enforced.
  - B. To add to municipal functions is simply to aggravate existing conditions and to delay reforms indefinitely.

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## SELECTED ARTICLES ON MUNICIPAL OWNERSHIP

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### INTRODUCTION

#### *Present Status of Municipal Ownership*

The municipality, as we are familiar with it in America to-day, is, like the great corporation, a product of our wonderful development. Early statesmen did not and could not foresee the possibilities, problems, and dangers that characterize present day municipal institutions. The lack of similarity between the conditions that prevail in our different cities renders municipal problems more difficult. Each city is organized under a different charter and is a problem in itself. A plan that would be successful in one might entirely fail in another.

There is a growing tendency, however, to extend municipal activity to include those enterprises that involve moral, hygienic, social, and educational questions; altho there is difference of opinion as to just *how much* importance should be given these various considerations.

#### *Functions of the Municipality*

The state and federal governments must solve those political and economic questions that in their nature are broad in scope and policy and require extended legislation, administration, and adjudication. On the other hand, the city works in a limited territory and is chiefly concerned with the details of its own needs and the problems growing out of those needs—problems greatly

## SELECTED ARTICLES

intensified by the larger number of people crowded into a small area. For example, the ownership of interstate railroads creates a problem less pressing than the ownership of city transportation facilities. It may be necessary for the city to own and operate the latter in order to relieve congested conditions and to alleviate the slum and tenement evils. No such reasons could be urged for the ownership of interstate railways.

*Authorities and the Issue*

The arithmetical facts as to the financial status of municipal ownership may be gleaned by the student from this book and from many other sources. Here again, authorities will not agree as to the figures or their bearing on the issue. Each authority writes from his own point of view and gathers data and interprets it to favor the conditions that he wishes to prevail. It is for the student to study each case painstakingly and thoroly before he makes his conclusion. He must not assume that because municipal ownership has been a success in one community it will succeed in another or *vice versa* until he has shown that the conditions which determine its success or failure are the same in both cases.

The issue before the student is: Are the utilities in question of such a nature that their operation is a municipal function and, all things considered—condition of municipal politics and finance, the cost of operation, and the probabilities of success,—is it better morally, socially, and economically for American municipalities to own and administer these utilities?

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## GENERAL DISCUSSION

United States Industrial Commission. 1901.  
Report. Volume IX. Introduction. pp. 239-41.

Municipal Public Utilities. General Discussion of Regulation  
and Public Ownership.

### *Importance of Problem.*

Professor Edward W. Bemis, of the Bureau of Economic Research, says that the problem of municipal public utilities is made important by the fact that competition has broken down under them and that they are virtually monopolies. The same problems are already confronting us in cities as will later become conspicuous regarding railroads, and the experience in the management of public utilities in cities will be a valuable lesson. The magnitude of the problem may be judged from the fact that the capital of the privately owned water, gas, and electric plants in the country is nearly \$1,400,000,000, while the capital of street railways is \$1,800,000,000. The further fact that certain syndicates and individuals are getting controlling interests in the street railway, gas, and electric-light companies of very many different cities increases the importance of the problem.

### *Tendency of Public Utilities toward Monopoly.*

Professor Bemis declares that competition in the street railways, electric light, and water supply business has almost entirely broken down. Efforts have been made in the most important cities in this country to maintain competing companies, but in nearly every instance the experiment has ended in consolidation. The tendency toward consolidation has been slightly less marked in the case of electric-light companies, but consolidation has still gone on very rapidly, and in most cities street light-

ing and household lighting are furnished by a single corporation, altho large establishments are able to supply themselves by means of private plants.

Consolidation of plants of this sort results in great economies. There is a saving in office force, in avoiding the duplication of mains, pipes, and wires, in the collection of bills, and in other ways.

*Consolidation of Plants of Same or Similar Character.*

Professor Bemis says that in recent years there has been a marked tendency toward the concentration of ownership of plants in different cities and of plants of different character in the same city. Thus in New York City the Consolidated Gas Company increased its stock in July, 1900, to \$80,000,000, and bought up the other gas and electric light companies of that city. The same syndicate has also a controlling interest in the street surface railways of New York, altho the elevated roads are in the hands of a different syndicate. The Elkins-Widener-Whitney syndicate also controls the street railways of Philadelphia, Chicago, and a rapidly increasing number of other cities. Similarly, the United Gas Improvement Company of Philadelphia has a controlling interest in the gas companies of over 40 different cities, among them Jersey City, Kansas City, and Atlanta. The officers of the Standard Oil Company have also a very large interest in gas and street railway enterprises all over the country. In Chicago the surface railroads and several of the elevated railroads have been at times in the past, and doubtless will be in the future, owned by a single syndicate.

Mr. Allen Ripley Foote advocates the consolidation of the gas and electric-light plants of a municipality, and also the consolidation of the electric street railways with the electric-light plants. It would make a saving in the cost of management and would cheapen the cost to the consumer.

In dealing with a consolidated syndicate, however, there should be thoro control of capitalization to prevent stock watering, and thoro publicity of accounts. Without such system of public accounting consolidation might not be beneficial to anybody but the syndicates themselves.

*Possible Methods of Managing Public Utilities.*

Professor Bemis says that there are three possible methods of solving the problem of public municipal utilities. One is to regulate the private operation of them; another is direct public ownership and operation, while a third is public ownership with private operation. Regulation of private ownership has been most advanced in England and Massachusetts; public ownership has gone furthest in England, while the system of public ownership and private operation scarcely exists in the United States, but is very common in England.

*Comparison of Public and Private Ownership of Municipal Utilities.*

Professor Bemis declares that there are certain evils and dangers in public management to be carefully guarded against, but he still believes that progress lies in the direction of public management of municipal utilities. Private companies in England do not oppose the public as they do here. Since the Brooklyn Bridge Railway has been taken over by private management there is a great deal more dissatisfaction than ever before, while under public management for many years it had given universal satisfaction.

Professor Bemis holds that the principle of municipal ownership of gas, electric lights, and street railways is the same as that in respect of water supply, which is generally considered a public function, but that it is more a question of expediency as to how fast we should go in relation to those utilities. He does not believe all industries should be owned and controlled by the people, but where competition breaks down of its own weight and monopoly thus results, then the public must control it in some way. We should begin by learning thru publicity of accounts what profits these monopolies are making and by seeing what can be done thru regulation and taxation; but experiments in municipal operation should be at once undertaken and the causes of success or failure carefully studied.

Mr. Foote thinks that in a sense the socialistic idea is the basis of the initial point in the advocacy of municipal ownership.

The people feel that the public should have the benefits and the profits, if there are any, in the operation of the quasi-public plants, and that private corporations have been making excessive profits and have exercised more or less venality, not only in the securing of their franchises, but also in the operation of the plants.

Mr. Foote asserts that it is impossible to compare the results of a municipal or political monopoly with those of the properly supervised private industrial monopoly. When the water works are under private ownership, everything has to be paid for by private capital in the way of extending lines and making improvements, etc., and the rates have to be sufficient to pay all operating expenses and whatever profit is made. If the municipalities should buy these works, they would frequently reduce the price to the consumer, but would make up the difference by taxation. They would especially extend the service lines and charge the cost to special improvement assessments on property rather than to consumers. The city does not have to earn profits.

As to whether there is any advantage in municipal ownership, assuming honesty of operation in both cases and the same elements of cost, etc., there are not sufficient data at hand to reach a conclusion, and they cannot be obtained without having the accounts of the municipalities and quasi-public corporations public and uniform. The witness, however, does not think the business of the municipalities of the country is yet sufficiently developed to permit the satisfactory operation of their public utilities by the taxpayers. As yet it always costs more to do public business than to do private business of the same nature.

Mr. Foote says further that if it were possible to get men sufficiently patriotic to work for the people as a whole as loyally as they would in their own business, municipal ownership would be very desirable; but such a condition does not exist, and when the factor of self-interest is eliminated from industrial management there is eliminated at the same time the factor of efficiency. The witness has never yet seen an industry so well managed by the public but that a set of private men, having the same opportunities in the details of management, could operate it and make a profit, and give the price as low, if not lower.

Mr. Foote believes, however, that there are more reasons why waterworks should be managed by municipalities than any other of the public utilities, because there are more regulations required in the operation of these plants that partake of the nature of police regulations. He sees no reason, indeed, why a small municipality might not operate its own waterworks plant more economically than a private company, because in a small plant the duties of the officials of the private company would be so light that to pay any sort of a salary to them the cost of operation would be high; whereas, if the plant were operated by a municipality, the work could be performed by officials of the municipality who had other municipal duties to do.

Mr. Foote says that if the theory of municipal ownership should be adopted he would recommend the management by the municipality of every public utility where an economic gain could be made to the public; but he would still insist that the accounts of the municipalities should be kept in such a way that it could always be ascertained what the actual cost of construction and of the management of the plant would be. He instances several cases of municipalities owning and operating certain utilities in which the accounts were so kept that while on the face of the records there seemed to be great economy in such operation, yet as a matter of fact they had been operating less cheaply than a private corporation could have done.

#### *Political Effects of Extension of Public Ownership.*

Professor Bemis asserts that whenever there has been a failure of any municipal public-service plant, such failure can be traced generally to the spoils system in politics or to a lack of general business sense in the council, which has led to the selection of poor managers, or to the plant not being properly equipped. A proper reform in the civil service would show the people that they could improve the government, and have it practically useful in a cooperative way, by cheapening transportation, fuel, light, telephone, and telegraph service. Moreover, an increase in public functions increases the popular interest in having the government better managed.

Professor Bemis thinks the efforts of the influential and wealthy companies to keep their own old franchises, or get better ones, or to escape their share of taxation, are a potent source of municipal corruption. A very intelligent employee of a certain gas company informed him that all the employees in that company had to be recommended to their places by the political boss of their precinct, and had to keep up their membership in the political organization in order to retain their positions. When the Philadelphia Gas Works were still under public management, they were buying 40 per cent of their gas from a private company, and they always took their employees at the recommendation of the Philadelphia alderman, and did not keep them longer than they could help. Their motto was: "The more different people we can hire in a given month the more aldermen we can please the more times." It would be easier to convince the people of the need of civil-service reform and business efficiency than it would to get rid of the demoralization connected with this relation of private companies to legislative and administrative bodies.

*Civil Service in Municipal Affairs.*

Mr. Foote advocates a rigid civil-service reform in municipal affairs in case municipalities should take over to themselves the operation of their public utilities. He believes that the employees engaged in the operation of utilities should be retained for life, during good behavior. The witness declares that he is somewhat different from the average civil-service reformer in that he does not believe that it is of any interest to the public how a man gets his position, but it does interest the public what he does after he gets it. Therefore primary appointments should be made in any way that would seem best—not necessarily by examinations—but there should be a probationary period of six months before the employee goes upon the regular roll. Promotions should be made from the lower to the higher grades from those in the service, and not from the outside, thus creating a stimulus for efficient work.

*The Relation of Municipal Ownership to Labor Conditions.*

Professor Bemis says that the tendency of public employment is to improve labor conditions. The hours of labor are usually reduced. The municipalities in England attempt to pay the standard trade-union rate of wages. Tramways when operated by private companies had refused to recognize unions and had worked their men very long hours; but as soon as the municipalities took hold of the plants, union wages and hours, etc., were introduced.

**Des Moines Register and Leader. August 26, 1908.**

What the Public Does Not See. Henry L. Doherty.

Throughout this state there are a great many small cities; the growth of these cities depends primarily on their ability to have conveniences and comforts that are not enjoyed in country life. The only reason that a city lot representing one-seventh of an acre may be worth \$50,000, while the same kind of dirt some place else is worth \$100 for a full acre, or \$14 for the area of the lot, is the opportunities that it presents and the opportunities primarily due to the quasi-public and municipal service of that particular community—sewerage, water, gas, electric light and matters of that sort. Nothing so contributes to the growth, prosperity and enhancement of wealth of those cities as the liberal conduct of the quasi-public utilities or the advantages such as sewerage, furnished by the municipalities. Failure to furnish those various advantages means that the city cannot grow; and these quasi-public corporations can be a great factor in the growth and prosperity of these communities; they can either retard or accelerate their growth by anticipating the needs of the community or failing to do so.

**Springfield Republican. April 10, 1907.**

• Public Service Enterprises.

Ambassador James Bryce spoke before an audience of Chi-

cago business men on the policy to be pursued by a city in relation to public service enterprises as follows:—

"It is a pre-condition to the giving to a municipal authority of any control over public work and public utilities that are not necessarily involved in the varying existence of that municipal authority, that the authority itself should be honest and capable—that is to say that the administrators should be upright and intelligent men. Whether they are will depend on the conditions of the particular city. It will depend mainly on the public spirit of the citizens and the sense of civic duty which animates them. If there is a lively sense of public duty and of the responsibility of the individual citizen for the good government of the community, if he gives an honest vote based on his judgment of the character of the candidates; if he watches the conduct of those who administer on its behalf and calls them to strict account for any misdoings, it will obviously be safe to intrust to the municipality functions which otherwise it might be desirable to withhold."

That all this is an indispensable condition of success in municipal enterprises, no one will dispute; and it is equally to be admitted that few, very few, American cities can meet this pre-condition of a successful public ownership policy.

But there is one point to be noted in this connection which Mr. Bryce did not touch upon and which is very important in any consideration of the subject. It is this—that the existing close limitations upon the functions of municipal government in America are well calculated to injure that public spirit of the citizen and impare his active sense of civic duty which are so essential to good government in any case; while it may most plausibly be asserted that an extension of these functions to the city ownership and operation of such public services as have been mentioned would tend to cultivate strongly that spirit of individual watchfulness over and concern in the conduct of the government which are now so lamentably lacking in American cities.

**National Civic Federation. Report on Municipal and Private  
Operation of Public Utilities. Vol. I, p. 441.**

Messrs. Edgar and Clark in closing their review summarize their opinions as follows:—"Our investigation has determined with certainty many heretofore mooted questions. We believe no intelligent reader of this Commission's work will fail to con-

clude that it clearly proves municipal ownership to be productive of many and serious ills, with little or no compensating good. The writers of these chapters agreeing, we believe with the other members of the Committee of Twenty-one, that public service companies should reasonably be regulated and afforded the protection that comes with regulation, and appreciating that the Committee was not appointed or constituted to consider methods of regulation, nevertheless desire to record their opinion that some form of regulation of private companies be adopted in each of the United States. What that form should be this Commission is not prepared, by any investigation or study it has made, to suggest. As it has always been the function and duty of government to insure that individuals shall deal justly with their fellows, it is now the function and duty of government to protect the governed against injustice on the part of these associations of individuals working under the name of public service corporations. Any government that is too feeble or corrupt to control with justice the conduct of a public service corporation has little prospect of being able to itself supply such public service with efficiency and justice. Our duty is to elect to office men of intelligence and integrity to govern efficiently, honestly and justly; men who can and will curb the unjust aggressiveness of the individual, or of the voluntary association of individuals, and who can and will compel each to bear its share of the burdens of government, and give in price, service or otherwise a proper consideration for special privileges enjoyed."

American Journal of Sociology. 12: 241-53. September, 1906.  
Municipal Ownership and Operation; the Value of Foreign  
Experience. Leo S. Rowe.

A final financial lesson, of a negative rather than of a positive character, relates to the policy to be adopted in fixing the cost of service to the consumer. It has been pointed out time and again that the industries usually referred to as public-service industries occupy an exceptional position because of the special franchises or privileges necessary for their operation. While

this is true, a far more important fact is often lost sight of—namely, that these industries are capable of subserving certain broad social purposes, and that it is within the power of the municipality so to adjust the cost of service that these larger social ends will be attained. It is one of the common-places of social economy that the transportation service is the best means of relieving congestion of population, and that the gas supply can be made one of the most effective means of influencing the habits and customs of the people. In the transportation service the plan adopted in most of the large European municipalities has been to adjust the fares under a zone tariff, thus increasing the cost of service with the increase in the length of ride. Although this has given satisfactory financial results, it has prevented the municipalities from performing their greatest service to the social well-being of the community, namely, to induce the population to move into outlying and less-congested sections of the city. It is true that the uniform fare of our American cities is unnecessarily high, and is no doubt a considerable tax on the short-distance passenger, but it is a tax which ultimately redounds to the social welfare of the community in contributing to that more equal distribution of population so necessary to the social advance of the community. In this matter of the adjustment of transportation rates to the attainment of social ends, German municipalities are considerably in advance of the English, but they have all much to learn from the conditions prevailing in our American cities.

As regards the gas supply, it is evident that a reduction in the price of gas so as to permit the substitution of the gas-stove for the coal-stove is certain to have a far-reaching influence on the diet of the poorer classes. In this respect the British municipalities have done splendid service. The readiness with which food is heated on the gas-range, as compared with the effort to start a coal-fire makes it possible to introduce a far larger proportion of warm cooked food into the workingman's diet. The little that has been done in this direction is sufficient to show the tremendous power of the city in furthering social welfare.

These are but a few of the many instances in which the

municipality, in the management of its public-service industries, is able profoundly to influence the industrial efficiency, the social welfare, and the general well-being of the community. European municipalities have all begun to appreciate the power which they can wield in this way. Although the sum-total of actual achievement is somewhat meager, the general principle involved is one of the greatest moment; the full import of which we have but begun to appreciate in the United States.

Whatever lessons may be drawn from foreign experience—and they are numerous and important—no one will contend that this experience can do more than throw an interesting sidelight on the problems that confront our American cities. The final choice between private and public ownership and operation must be made on the basis of our own peculiar conditions. In this choice, factors which are entirely absent in European countries will play an important part. We must recognize, in the first place, that the attitude of the American people toward the city is totally different from that which prevails in the countries of Europe. With us city government is a negative rather than a positive factor. We look to it for the protection of life and property, but it is with considerable reluctance that we accept any extension of function beyond this limited field. In Europe, on the other hand, the city is a far more positive factor in the life and thought of the people. As new needs arise, the inhabitant of the European city looks to the community in its organized capacity for the performance of each service. With us in the United States the presumption is against any extension of municipal functions, and it requires considerable pressure to induce the population to accept an increase in municipal powers.

*Engineering Magazine.* 31: 741-3. August, 1906.

Municipal Ownership of Engineering Utilities.

Everett W. Burdett.

In view of the present spirit of unrest and discontent regarding the operation of public utilities in the United States, leading to the agitation for municipal ownership of enterprises hitherto

mostly conducted by associations of private capital, the thoughtful address delivered before the National Electric Light Association by Mr. Everett W. Burdett demands attention.

Mr. Burdett admits that there has been good reason for adverse criticism, and refers to the manner in which, in certain instances, there has been just objection to the manner in which corporate organizations have abused the confidence which has been placed in them. This, however, is but one side of the question, and the other side should be given fair consideration, before the advisability of transferring the control of public utilities to municipal control should be conceded.

"Forgetting the beneficent results which have been obtained only through the accumulation of great wealth derived from corporate organizations, the dissatisfied citizen sees only the abuses of financial and corporate power of which he has been, or imagines himself to be, the victim. The very word 'corporation' has come to have an opprobrium of its own.

"And yet, of course, this wholesale distrust and condemnation of wealth and corporate power is unreasonable. It loses sight of the fact that we are unable to assert from what other source the people at large would have derived the blessings which have come from the establishment and maintenance of the almost countless hospitals, libraries, colleges, parks, museums and special funds for the encouragement of learning, the promotion of science, the reward of courage and endeavor, and the various other beneficent uses for which they have been established and maintained by private wealth, largely derived from corporations. They forget that it has been only by the uniting of the funds of the rich and the savings of the poor in corporate organizations that the country has been developed by the establishment and exploitation of numberless forms of industrial enterprises, which have given employment to labor, activity and volume to trade, and a market for all the products of our soil and all the talents of our people.

"In electrical enterprises the central station electric lighting investment in the United States alone already aggregates 700 million dollars, involving an annual operating expense of nearly

or quite 100 millions, distributed among all classes of workmen and through every artery of trade. The census reports show that in the single year 1904 there was an output of new electrical apparatus of the value of more than 150 millions. There are nearly 5,000 central electric lighting stations. There are 23,000 miles of electric railway, carrying each year over 5,000 million passengers. A network of nearly 300,000 miles of steam railroad gridirons the country, transporting upward of 750 million passengers annually. Spoken words are transmitted through more than five million miles of wire, by the use of more than three million telephones, by which more than 5,000 million messages are transmitted yearly.

"All these wonders we owe to corporations. They have given free play to the enterprise and individual energy of our people, and have made that enterprise and energy vastly more powerful and effective than it otherwise could possibly have been. They have enabled the man of small means to do a part of the world's work by joining his savings with the capital of his wealthier neighbor. They have encouraged thrift and the spirit of investment. They have advanced civilization and brought to every man's door the diversified products of our own and other countries."

Mr. Burdett calls attention to the fact that the principal beneficiaries of the development of corporate organizations have been, not the organizers, managers, and stockholders of these enterprises, but the general public, and that the community at large has obtained vastly greater benefits from corporate enterprise than have those whose money has made them possible. A comparison of dividends paid with services rendered shows the truth of this statement, and demonstrates that the tax-gatherer, the employé, and the general public have each and all reaped rewards vastly greater than have been realized by the stockholders in the enterprises. The existing widespread agitation for the municipal ownership and operation of public utilities may really be attributed to the influence upon the popular mind of the widespread dissatisfaction and resentment occasioned by the abuses of great wealth and corporate facilities. To this must be added the skilful use of this dissatisfaction by politicians,

seeking to turn public opinion to the advancement of their own ends.

"In pointing out the fallacy of adopting municipal ownership in the United States on the strength of its alleged successes abroad, the first thing which is to be suggested is the danger which always lies in the offhand adoption of foreign methods, laws or practices in another country. It can seldom be done successfully. Differences in political, economic or social conditions almost always exist which render the transplanting of the customs or methods of one country into another inexpedient.

"As contrasted with American municipal service, that abroad is less political and more business-like in its character, more certain in its tenure, more continuous in its service and more disinterested in its activities. Its desirable features are not only secured and protected by law, but are demanded by public sentiment. While the raw material is perhaps as good or better in the United States than in the European cities, it is handicapped in its efficiency by its political character and the uncertainty of its tenure. The American municipal servant never knows how long he is to be permitted to hold his place and is subject to constant changes in policy and supervision. The only thing he can be reasonably sure of is that his head will ultimately drop into the basket. This system, for system it has come to be, may perhaps prevent dry rot and some of the evils of bureaucracy, but it is at the expense of efficient public service."

An examination of the operation of municipal ownership in Great Britain does not give positive assurance as to the success or failure of the system in the United Kingdom. In some instances, in electric lighting, for example, a little more than one-half of the municipal undertakings have showed a profit, while a much larger proportion of private enterprises have been found profitable. It is not by financial returns alone, however, that a system is to be judged. A well managed system shows its efficiency by the extent and nature of its development, by the completeness of the public service rendered, and by the real additions to the wealth of the community which are effected by its operation. Judged by this standard the operation of such utilities as electric lighting, telephone service, electric power

distribution, and the like, by municipalities, cannot compare in efficiency with the work of private corporations. In support of this view Mr. Burdett refers to the action of the Institute of Electrical Engineers to endeavor to overcome the restrictive action of local authorities upon the development of the electrical industries in Great Britain.

"The remedy for existing conditions must come from both within and without. The companies interested, the public authorities and the public at large must each contribute to the solution of the problem. None of them can or will be wholly effective without the others. Human nature is such that it can not be trusted to regenerate itself, public clamor is frequently ineffective, while enactments of the legislature can not accomplish all that is desired.

"In the first place, the companies engaged in furnishing public services must, in their own interests, strive more and more to give good service at fair rates. While they can not all avail themselves of the advantages of the legal so-called sliding scales, they can hope for the best results only along the line of the theory of the sliding scale. In my judgment, the time has gone by, if it ever was, when extortionate rates and wretched service will promote the interests of the corporations. He who serves the public best serves his company best. Patience and a spirit of conciliation, and a real desire to increase facilities and reduce charges as rapidly as consistent with such management, will ultimately bring their rewards in the form of increased earnings and larger dividends. And when the public, in any given community, comes to see that, notwithstanding the mouthings of the demagogue and the agitator, it is being fairly treated by the corporations, its objections to large and increasing returns upon invested capital will gradually disappear.

"Next: the abuses of great wealth and corporate privileges to which I have alluded must cease, or at least be greatly mitigated. Self-interest must realize the fatality of a continuance of the abuses involved in gross over-capitalization, poor service, high-prices, discrimination among consumers and

above all the attempt to control the law-making power for purely selfish ends.

"Third: Public sentiment must be cultivated. The one great need in the economic world, is popular education along sound economic lines. Let us no longer leave the exploitations of vital economic principles to the visionary or the doctrinaire, on the one hand, or to the irresponsible politician or selfish agitator, on the other. A real campaign of education is what is needed, a broad, comprehensive, intelligent, persistent, aggressive and well-directed campaign, which shall leave nothing in reason undone to spread sound economic doctrines. So far as self-interests enter into it, let it be an enlightened self-interest, having in mind the rights of all; let it be devoted to the fundamental proposition that all members of the community are bound together in such intimacy of relation that no member can ruthlessly injure another without ultimately feeling the recoil upon himself. 'Live and let live,' should be the motto."

**Outlook. 80: 266-8. June 3, 1905.**

↳ Municipal Ownership.

The problem on which the American people are thinking more or less clearly and definitely is this: Where is the line to be drawn between those industries which the municipality should control and those which should be left to individual ownership and administration? Without attempting to answer that question, we here suggest three principles by which the thinker may be guided in seeking a sane and rational conclusion:

I. We are not to go back. Industries which are now controlled with fair measure of success by the municipality ought not to be abandoned by the municipality and turned over to public service corporations. The city of New York has built and owns a water system, and has carried it on for years with fairly satisfactory results. No consideration should induce it to consider the proposition to turn over the control of its water supply to private owners. This proposition, made

on behalf of the notorious Ramapo Water Company, was successfully resisted, but not without a battle. New York for years owned and controlled its streets. In order to secure greater convenience of transportation, a few years ago it allowed a private corporation to build a second-story street and own and control it. It allowed another corporation to acquire a *quasi* ownership and a practical control of the center of its great avenues. It never ought to have done this. It has not allowed a private corporation to own its great subway, and no impatience for immediate convenience should tempt it to allow its future subways to become private property. It should own and control its highways, whether under the ground, on the ground, or above the ground; and if it allows the system of transportation on these streets to be administered by private corporations, it should keep that administration subject to governmental supervision and control.

II. There is a very simple and a very clear distinction between those industries which are carried on by individuals for individuals, and in which, therefore, competition will probably be maintained, and those industries which are of necessity carried on by one great organization for the community as a whole, and in which, therefore, competition cannot be maintained. The bakers and butchers and tailors and shoemakers belong in the first category; the water supply, lighting, and transportation belong in the second. If the baker furnishes me poor bread, I can go to another baker; but if the gas company furnishes me poor gas, I cannot go to another gas company. If my shoes pinch my feet, I can try another shoemaker; but if the trolley line puts on so few cars that I have to hang on to a strap in my daily trip between my home and my office, I cannot try another trolley line.

Are there, not, the reader may ask, a beef trust, and a sugar trust, and something very like a coal trust? Yes. But municipal ownership furnishes no remedy for these combinations. That must be sought in State or Federal legislation. If the city were to take over all the butcher shops, it would still have to buy its meat of the beef trust. Again, the reader may ask: If the gas company charges too much or furnishes

inferior gas, can we not charter a competing company? if the trolley line gives poor service, can we not give a franchise to a rival line? The answer is, No! History has demonstrated the truth of the economic aphorism, Where combination is possible, competition is impossible. The gas companies combine under one management, or divide the city into districts, and leave the individual no option but to take gas from his district company. The street has already been given to one trolley line, and cannot be given to another. And if a rival line is built to parallel it, the two soon combine, if not under one management at least in one policy.

Speaking broadly, then, there are in the city certain natural monopolies. Water, lighting, transportation, are illustrations. The city is not called upon to undertake all industries, nor all that are necessary to human well-being. It need not open city bakeries and groceries. But it may well take over the natural monopolies. That is, it may well undertake the experiment of doing for itself those things which are necessary to the welfare of the city as a whole, and in which, therefore, practically all the citizens have a common interest, and which, in the nature of the case, must be done by one corporation, either private or public.

III. There is also a simple and clear line of distinction between ownership and administration. The city may both own the plant and administer the industry, or it may own the plant and allow private enterprise to administer the industry subject to governmental rules and regulations. If the city administers the industry, it must employ a large number of men and disburse weekly large sums of money; and in the present state of public morals this involves some public peril. The apprehension of this peril constitutes the most common argument against municipal ownership; but it is really only an argument against municipal administration. If the city owns the plant and permits private enterprise to administer the industry, neither such employment nor such disbursement by the city is involved. The city of New York owns the subway, and this ownership enables it to exercise a certain supervision and control over the administration of the subway. But this

ownership involves no considerable addition to its pay-roll and gives no considerable increased political control to the party in power. So it may own the gas plant or the telephone plant and lease the right to operate for a term of years. Does the reader satirically remark, "Philadelphia!" We have not forgotten Philadelphia. But the difficulty in that city is not primarily due to the fact that the city has a gas plant to lease; it is primarily due to the fact that Philadelphia has long suffered from an unscrupulous and corrupt political ring on the one hand, and a somewhat self-complacent and very apathetic content among the citizens on the other; until now the city is so bound hand and foot that it is difficult to untie the knots with celerity and perilous to cut them by a revolution.

The question of municipal administration of municipal industries we reserve for future consideration. In our judgment, the political peril involved in such administration is less than the political perils in which we are already involved from having public service corporations which, on the one hand are eager to get special advantages from the Legislature, and, on the other hand, are subjected to blackmail by corrupt legislators. The corruption in our public schools and in our Water and Fire and Street Cleaning Departments does not compare with the corruption traceable to the connection of public service corporations and municipal governments in our lighting and our trolley systems. But the two questions of municipal ownership and municipal administration are distinct in fact, and should be kept distinct in our thinking.

We submit, then, these three principles to the consideration of any of our readers who are pondering the problem of municipal ownership: 1. Do not permit the city to lose a control which it now possesses. 2. In extending control, extend it over natural monopolies—that is, over those industries which serve the city as a whole and which experience proves must necessarily come under a single control. 3. Keep clearly in mind the distinction between ownership and administration. First let each city secure municipal ownership. Even if it is not ready also to assume municipal administration, it should not grant any long-time lease; for it should not estop itself

from considering the question of municipal administration whenever it finds private administration of a public service, for any reason, unsatisfactory.

Nation, 82: 441-2. May 3, 1906.

#### Municipal Ownership Investigators.

There is little doubt that English experience will be made to support both sides of the argument with equal conclusiveness. . . . One investigator will observe the London County Council's steamboats plying on the Thames, and will say, "What geese Americans are not to insist that their cities own every ferryboat!" Another will look into the complaints of poor service by the same boats, will scan the balance sheet which shows that they have been run at a great loss, and will say: "Heaven deliver us from such disastrous experiments." So of municipal tramways in Manchester, city electric lighting in Birmingham, Government-controlled telephones, and so on. Their bad and good points will be vociferously and contradictorily explained to the American people, who will be expected to be made thereby wise unto their political salvation.

We by no means wish to disparage the investigation. The investigators at least will learn something. And if they offer us divided counsels, the inference that the whole matter is complicated with difficulties will not be without its uses. We already have a sort of advance agent of investigation in the person of Everett W. Burdett of Boston, whose paper on "Municipal Ownership in Great Britain" is published in the *Journal of Political Economy* for May.\* Preliminary extracts from it vexed the righteous souls of the municipal-ownership enthusiasts in Chicago. But they could not suppress Mr. Burdett's article, as they did the famous Dalrymple report; here it stands in its 56 pages of type.

Its most valuable part is the statistical information which Mr. Burdett has amassed. His arguments may be combated and his applications parried, but his facts must be at least chewed

\*See portions of Mr. Burdett's article given in this handbook.

and digested. We can all draw inferences—even a horse can, as the farmer said, if he “gets a good hitch.” But the facts and figures we are to hitch to must first be provided; and those which Mr. Burdett presents are very much what was needed. Some things they put beyond reasonable dispute. Whatever else may be said of the policy of government ownership of electric lighting, power, and traction, English and Continental experience shows that it has a hampering effect upon the development of the electrical industry, and that the practical extensions in the way of public service are not nearly so great as in this country. Mr. Burdett's summary is: “The United States, with less than double the population of Great Britain, has six times the amount of apparatus installed for furnishing electric light and power, sixteen times as much for electric traction, twenty-three times as many miles of electric railway, twenty-six times as many motor cars, and five and one-half times as much money invested in such enterprises.”

Such differences are, of course, to be explained in part by differences in extent of area and in the distribution of population and in national customs, but the salient fact remains well established. Governments, like monopolies, are not enterprising. They do not encourage invention because they do not offer the great stimulus of a big money prize to either inventor or promotor. On the other hand, relieved of the pressure of competition, they are not forever turning, as private investors and corporations are, to plans for reducing the cost of production and improving while cheapening the public service. Hence the result which Mr. Burdett's studies set forth so impressively: quite aside from the debate about policy and cost, municipal ownership in Great Britain appears to be demonstrably sluggish in taking up with new processes and in venturing upon enlargements of the service looking far into the future. A city-owned trolley-line, for example, would not push out into the thinly-peopled suburbs—such an extension would not immediately pay. But a private corporation could afford to wait for returns; while its directors, by means of real-estate speculation along the suburban lines, would see their way to making a great deal of money. Americans may be bled by corporations,

but they at least get the service. Englishmen may or may not have to pay more for their municipally owned utilities—the actual cost is in dispute—but they confessedly suffer from what Mr. Burdett calls “the inertia and lack of business enterprise which are inseparable from municipal ownership.”

If the Government is a fool and the corporation a knave, what woods are we to take to. Reform your governments, say some, and make them pure enough and capable enough to undertake municipal operation. Short of that millennium, however, there are those who would be content if our governments could be made pure enough and wise enough to regulate public-utility corporations. That would not at once open heaven to us, but it would make earth a little more comfortable; and it would give the people more for their money, while at the same time stimulating inventive genius and managing talent by giving them more for their brains.

*Annals of the American Academy.* 29: 275-91. March, 1907.

Public Regulation of Street Railway Transportation. Edmond R. Johnson.

*Comparison of Municipal and Private Ownership.*

In the United States, street railways, with the exception of certain subways, are owned by private companies. In Europe, although the majority of the street railway enterprises are still owned by corporations, the tendency is towards the purchase and operation of the tramways by city governments. The success that has attended municipal ownership and operation has been such as to lead some persons to conclude that all cities, both European and American, might advantageously adopt the policy of municipalization of the street railway service.

In Great Britain the street railway service during the decade following 1890 was generally unsatisfactory. This was in part due to the fact that the Tramways Act of 1870, by which franchises were limited to periods of twenty-one years, foreshadowed a policy of municipalization of the private lines. When the time came for changing from horse to electric traction, the

private companies generally neglected the service, with results that are well stated in the following quotation taken from the minutes of the Plymouth, England, Town Council:

The main objects of the corporation in purchasing the tramways were to get rid of the company management, which had failed to give the public an effective tramway service and which had exhibited so considerable disregard of public inconvenience and remonstrance, and in the second place the direction and control of the policy of the tramway extension in the hands of the council as representing the general body of ratepayers, for the general benefit of the borough, instead of leaving the tramway system to be developed and extended for the purpose of securing profits to shareholders without regard to local necessities.

The main advantages of municipal ownership and operation are:

- (1) The possibility of low fares and of adjusting fares with reference to the most advantageous distribution of population.
- (2) The ability of the city to regulate the wages and hours of labor of the street railway employees.
- (3) To secure to the city the increasing profits resulting from the growth of population and traffic.

Assuming that a municipal government is honest and is able to manage the street railway service efficiently, the advantages of municipalization are manifest. There are, however, certain dangers connected with municipal ownership and operation even under the favorable conditions prevailing in the cities of Western Europe:

1. There is the liability that municipal debts may be greatly increased and that the cities may be so desirous of reducing street railway fares as to neglect to provide for the payment of the railway debt within the proper period.
2. Writers opposed to municipalization claim that the city is more liable than private corporations are to allow the track and equipment to depreciate, and to neglect the construction of new tracks extending the lines into unoccupied suburban regions.
3. It is also claimed that the municipalization of street railways will restrict the construction of interurban electric lines, for the reason that each city will be disposed to confine its lines to the region within its own limits, and that, having done so, private companies will not find it profitable to construct lines connecting the cities.

European cities have so recently adopted the policy of municipalization of street railways that it is too early to determine what their policy will be as to the payment of the debts incurred in buying out the corporations or in constructing new lines, or what their policy will be regarding the maintenance of their track and equipment, and whether they will extend their systems with adequate rapidity. In general, it may be said that the British and Continental cities have thus far dealt satisfactorily with these questions. Whether municipalization will hinder the construction of interurban lines remains to be seen, but it seems probable that this may prove to be a somewhat important consequence of municipalization.

The success that is attending the purchase and operation of street railways by foreign cities argues but little for such a policy for American cities. The condition of municipal government in the United States is such as to discourage the ownership and operation of street railways by public authorities at the present time. For the United States the policy for some time to come should be one of public regulation rather than one of public ownership and operation.

#### *The Street Railway Problem in the United States.*

The adjustment of the relations of the public authority to the street railway transportation service is a problem comprising the regulation of the provisions of the charter and franchise granted to the company, the regulation of the capitalization and financial methods of the corporation performing the service, the public supervision of the service, the control of the fares, and the adoption and enforcement of wise methods of taxation. This is indeed a complicated problem, the solution of which has been as yet but partly accomplished. The regulation of the franchises, services and charges of street railways needs to be more detailed than is required in the case of steam railroads, because the street railway service is more completely monopolistic than is the business of railroad transportation.

That these facts necessitate a detailed regulation of the street railway service is being increasingly recognized in the United

States as shown by the general tendencies discernible in the legislation of the states:

1. There is a tendency to limit the period for which the franchises are granted, and to increase the obligations to be met by the companies in order for them to maintain the validity of the franchises they receive from the public. The states are giving the cities power to exact more than they formerly could of the street railway companies, and the cities are showing an increasing disposition to avail themselves of the powers they have received from the states.
2. The state and municipal control over fares is being more frequently exercised. In several states and in numerous cities efforts are being made to establish an effective public regulation of street railway charges. These efforts indicate more clearly than any other movement could the tendency towards a greater exercise of public authority.
3. There is a growing disposition to tax the franchises and earnings of street railway companies as well as their physical property. The fact is coming to be recognized that taxation levied only on the physical property of street railway companies reaches but a small part of the value possessed by the companies, and that an adequate system of taxation necessitates the taxation either of the franchises or of the earnings of the companies. Moreover, the legal limitations ordinarily placed upon property taxation—that all kinds of property shall be taxed equally—presents another reason for adopting some other basis than physical property for the assessment of street railway companies. In some states the value of the street railway franchise is reached for purposes of taxation by treating the franchises as property and thus avoiding the restrictions of the laws regarding taxation of all physical property. The most convenient and, on the whole, the most practicable method of taxing street railway companies is that of requiring them to turn over to the city annually a liberal percentage of their gross receipts. While the gross receipts tax is not theoretically the most ideal one, the objections to it are not important in the case of the street railway business, and its advantages outweigh the theoretical objections.

The present thought regarding the proper solution of the street railway problem in the United States may be approximately summarized as follows:

(1) A five-cent fare, with six tickets for a quarter, and a general system of transfers; (2) that the service shall be performed by chartered companies, but that each company shall pay to the city a percentage of its gross receipts and be required to pave and sprinkle the parts of the streets occupied by its tracks; (3) that capitalization of the company shall be regulated by public authority and over-capitalization prohibited; (4) that franchises shall be limited to twenty or thirty years, and that the city should retain the right to purchase at the expiration of this period the property of the company at a fair valuation; (5) that a commission or some other public authority shall pass upon the public necessity for a proposed street railway, and regulate the service in the public interest; (6) that the annual reports made to the state and city shall give full information regarding both the service and finances of the company.

The general problem of the public regulation of street railways has been simplified both by the consolidations that have brought the street railway system in each of the most of our large cities under a single control, and by the recognition on the part of the public of the fact that the street railway service is a monopoly and must be regulated as such. The fact that the street railway service is a monopoly not only necessitates public regulation, but makes possible more efficient public control. The truth of this is well illustrated in Boston, where all the lines, elevated, surface and subway, are operated by a single company. Over-capitalization has been prevented, the fares are being regulated, and different parts of the street railway systems are co-ordinated so as to secure a good service in a city where the difficulties of providing street railway transportation were exceptional. What Massachusetts and Boston have done other states and cities can, and doubtless will do. Indeed, hopeful progress is being made in several states, and the successful solution of the "street railway problem" in the United States by public regulation rather than by municipalization seems more than probable.

Outlook. 86: 49-51. May 11, 1907.

Problems of Municipal Ownership.

We may accompany this with another general principle. The people, through their government, whether national, State, or municipal, have a right to embark in any business public in its nature and on which the common welfare of the community is depending, provided that they can do it better and cheaper for themselves than they can hire a private corporation to do it.

On the other hand, we think it is equally evident from a wide experience that the water-works of a city should never be left in private hands even for temporary operation. The sanitary conditions of the city are too dependent upon pure water and the peril from false economies is too great. In water supply, economies are dangerous and extravagance is safe. The city, therefore, can better afford to pay for a water supply extravagantly administered by the municipality than for a water supply economically administered by private enterprise. In fact, experience shows that whatever economies private enterprise effects rarely diminish the expenditures of the citizens; they swell the profits of the corporation. What is true of the water supply is true of the school system. No one would propose that the public school buildings should be owned or the public schools operated by private enterprise; no one would propose to farm the children out to the lowest bidder; for in public education as in public water supply the perils of extravagance are immeasurably less than the perils from excessive economy.

The practical question respecting municipal ownership relates to public utilities which have generally been carried on in the past by private enterprises and are now being experimentally attempted in municipalities, both at home and abroad, by the government. These are chiefly the utilities of light and transportation. Should the government own and operate the lighting plants and the street railways? or should it own them and lease them to private corporations for operation? or should it own them and grant a permanent franchise or lease, subject to periodical revision of the rent or franchise tax, and exercise over them government supervision and control? or, finally, should it leave them

wholly in private hands and subject to private control, and trust to competition for securing efficient service and reasonable rates? In our judgment, no economic thinkers, except a few paid advocates of private enterprises, any longer hold the last of these views. The third of these views is held only as a compromise, because permanent franchises have been granted in the past, and it is not clear how the city can recover the possession of the franchises which it has given away. Except for complications growing out of past legislation, the only practical issue respecting municipal lighting plants and municipal railways is this: Shall they be owned and operated by the city, or owned by the city and leased to private enterprises on measurably short leases for operation?

We here simply endeavor to state with clearness the issue, without debating it; but our general judgment, considering the political and industrial conditions in this country, is in favor of municipal ownership with private operation on short leases.

**Outlook. 82: 504-11. March 3, 1906.**

Principles of Municipal Ownership. Robert Donald.

I have now reviewed the attitude which advocates of municipal ownership assume towards the least industrial and commercial of communal undertakings. I will now deal with the more industrial, which raise serious contentions.

What are the principles which should guide municipal action with regard to the larger and more profitable services, including street railways, electricity and gas supplies, telephones, etc?

The operations of these services cannot, on any intelligent principle, be left to free trade. Almost every American city has started by having several street railway corporations, and more than one electric or gas corporation; but the irresistible tendency has been for absorptions and amalgamation to take place until a monopoly has been established—a clear indication that the services come within the domain of natural monopolies. When, however, monopoly is reached through the stress of competition and the operations of graft, the undertakings are greatly over-

weighted with capital and burdened and drained by vested interests, progress is retarded, and cheap rates made impossible. The obvious conclusion is that public lighting services which are monopolistic in character should be kept in control by the municipality. It should not allow privileges which the community creates to pass beyond its power.

There is little difference between the principles involved, whether the public service franchise is for gas, electricity, or street railways. Compensation can be granted to the city for gas supplies on two systems: a tax per cubic meter of gas sold, as in Paris and German cities, in which case the money goes to the municipal exchequer and insures the city getting a share in the profits; or the enforcement of a sliding scale, the operation of which enables the corporation to increase its dividend as it lowers its price—a system which enables the consumer to benefit.

The same systems could be applied to electricity supply. Street railway corporations operating under franchise can be made to pay fees either through a percentage of gross receipts or in some other way.

It is quite feasible and practical for a city in various ways to grant public service franchises, but the system has drawbacks. Social interests enter very largely into the operation of all city services. It is in the interest of the community that light should be as cheap as possible to the poor, and it helps the police to have the streets well lighted. Efficient and cheap transportation has an important influence on health, and promotes well-being. Corporations which exist solely for making profits will not, as a rule, risk a fall in their dividends in order to cheapen a commodity or popularize a service. The corporations have always an eye on the end of the franchise period. They regulate their operations accordingly. They cease to introduce new methods, they neglect adequate maintenance, they allow their plant to become dilapidated; and naturally so, as the future is uncertain, and they want recoupment and profit.

From a theoretical point of view—assuming for the moment that there are no administrative difficulties—let us see how complete municipal ownership and operation would work. Take street railways. The City Council owns the railroad laid down in

its own streets. It can regulate the time of construction so as to be least inconvenient to the people. The routes would be planned also in conjunction with street improvements, clearing of slums, and rehousing the poor. A corporation holding a limited franchise has no interest in the permanent development of a suburb.

The City Council would always adopt the best systems of transportation, as it will live to reap the benefit. It would have some regard to the appearance of its cars. It would be a model employer. Fair wages would be given and reasonable hours observed. Its car conductors would be provided with neat uniforms. They would be smart and civil. The municipality would study the needs of special classes. For instance, there would be cheap cars for workmen, morning and evening. There would be special services to artisan colonies in the suburbs, to parks and pleasure grounds. The citizens would be made to feel in every way that the cars were their cars, and that every cent they paid would go towards the improvement and development of their own co-operative property. A municipal car service can be made an excellent means for stimulating civic patriotism.

Then the municipal car system would dovetail into the work of other departments. The cars would be run at night to collect city garbage, market produce, etc., and the day load of electricity required for street railways would be welcomed by the city electricity department.

All these features of a municipal street railway system, which I say are possible, exist in British and Continental cities. But we can imagine a publicly owned street railway service and subways going much further. The system of transportation in a city is an essential element in its life. The better it is, the more it aids business, the more it adds to social amenities.

In some British cities the average fare is a little over one cent. It is only a step further to socialize the street railways as we have socialized the highways, bridges, and ferries (for the use of which in former years tolls were levied), and introduce free transportation—that is, free in the sense that the use of the streets, maintained out of local taxation, is free, and the use of elevators in high buildings (paid for in the rent of the rooms) is free. I only refer to the Utopia of free travel to emphasize

the difference between private and municipal operation of street railways. While it is the aim of all cities of which I know to make their municipal railways self-sustaining and profitable, there are cases where a city deliberately incurs a money loss for the sake of a social benefit. Huddersfield, a large manufacturing city in Yorkshire, established tramways because companies refused to do so, and ran them for years at a loss, for the general benefit to the community. The steep gradients and hilly streets which the cars had to climb made horse and steam traction both unprofitable, but the conformation of the site made transportation facilities all the more necessary. Electric traction has now turned the city car system into a profitable undertaking. In Cologne, Düsseldorf, and other cities, street railways are run several miles beyond their borders to municipal forests at such low fares that loss is incurred.

The same principles of social benefit arising from cheapness of service should operate in the case of electricity and gas supplies. Both services under municipal ownership can be managed on parallel lines by different committees. Under the Scottish municipal code, municipalities are precluded from making profit. The surplus is devoted to reducing charges and improving the services. This system is not yet general, as municipalities prefer to manage their undertakings so as to give a commercial instead of or in addition to a social profit. A commercial profit means that the surplus left after meeting all payments for maintenance, depreciation, interest, redemption charges, etc., is handed over to the relief of local taxation—thus benefiting all taxpayers. When the other system is adopted, the benefit in the form of a cheaper service is confined to consumers. The contrast between the two systems is most striking in the case of street railways in London. In the wealthy and crowded financial center of London and in the rich West End districts tramways are not permitted, yet the rich taxpayers in these areas get a share of relief which comes from the pennies of the poor who use the tramways in other quarters of the metropolis.

Hundreds of municipalities in Great Britain and in Continental Europe own and manage efficiently both gas and electricity undertakings. One necessary condition for cheapness of produc-

tion is for the municipality to supply all the city, and not merely produce gas or generate electricity for its own requirements. It is economically wasteful, for instance, for the city of Chicago to distribute electricity all over the city only to light the street lamps.

In Continental Europe the franchise system has existed both as regards gas and electricity, although it is now being discontinued. It did not give low charges and did not make for efficiency. The sole object of the concessionary corporation is to reap the richest harvest it can during the period of the franchise, without regard to the future of the undertaking or of the city's needs. In Great Britain the franchise system was adopted for electricity supply. All companies were limited by statute to forty-two years, at the end of which period the municipality takes possession on payment of "the then value" of the plant, without compensation for good will or displacement. This system retarded development so that most of the companies have been bought up long before the franchise expired, receiving sometimes double their capital expenditure. And it has paid the community to give this compensation in order to develop the business and lower the charges.

Municipal ownership in Great Britain has been more enterprising than corporation rule; it has always considered the interests of the whole community, and has invariably meant lower charges for consumers.

The same principles of public utility which apply to street railways, gas or electricity supplies are applicable to telephones and the distribution of hydraulic power, or any other service which is monopolistic in character. Telephones, while managed successfully by municipalities in England, Norway, Sweden, and Holland, present some difficulties. Localization is not desirable and isolation is impossible. There should be only one telephone system in order to have the best facilities for intercommunication. The telephone service works most smoothly and answers public needs best in European countries where it is a State monopoly under the post-office. With the telegraph system a State monopoly, as is the case throughout Europe, it is an anomaly to have the telephones under separate management.

The general principles of municipal ownership will probably find ready acceptance as theories of civic policy, but what about their practical application? It will be pointed out as an initial material difficulty that street railway systems, gas and electricity supplies, cannot be limited by city boundaries. They should serve many areas governed by different authorities. Provided all these authorities are animated by the same ideas of civic policy, the difficulties disappear; working arrangements mutually beneficial are entered into, or joint services are established, and parochialism gives place to a wider civic patriotism, which recognizes larger communal interests. As a matter of fact, the large cities in England serve their smaller neighbors with water and gas, and are now beginning to do so more and more with street railways and electricity.

The most powerful and convincing arguments urged against municipal ownership are not, however, advanced on practical but on moral and political grounds. Let the municipality extend its activities and you enlarge the opportunities for patronage. Add to the number of public employees and you swell the power of the party boss. Give the municipality more money to spend in contracts and supplies and you widen the doors for grafters. Municipal ownership, in fact, means more politics, more corruption, more dishonesty in public life, and more power in all elements which degrade a city and demoralize a people. These are the last words, the final crushing arguments, of the anti-municipalists. They apply only if we grant one large assumption and make a humiliating confession. If we take it for granted that the evil elements in a community are permanent, that corruption will forever triumph, that politicians will more and more make public plunder their business, that the sense of citizenship and the moral conscience of the Nation will continue to wither and fade, then the case against municipal ownership is complete, just as it is against every form of good government.

If, on the other hand, we have still faith in the moral regeneration of the people, still believe that purity in politics and public life is possible, then municipal ownership is the greatest and final means of reform. It is radical; it goes to the root of the matter and gets rid of the mainspring of corruption. Graft-

ers, corrupt politicians, and all the other parasites who now live by plunder could not exist if there were no franchises to sell, no contracts to give out. Let the cities keep their franchises, operate municipally their undertakings, and the chief source of corruption and the means of temptation will disappear. So long as corporations and contractors are mixed up in city administration so long will the tempter be there, and grit will interfere with the smooth working of the municipal machinery.

But, it may be urged, admitting that one evil is eradicated, others are more strongly intrenched. The patronage which falls to the City Council is increased and the power of the city employee is greater—both dangers from which we now suffer. Having extinguished the tempter, the next step is the moralization of the city councilor and the purification of the civil service—neither impossible reforms. The city councilor has long since been discovered in Germany and Great Britain who is prepared to serve his city without any ulterior motive—ready to give his ability and his time freely and honestly to the service of the people. He is making his influence felt in the United States; and without this public-spirited servant, animated by a sense of citizenship, who subordinates all selfish aims, municipal ownership cannot succeed.

Its success also means that a permanent civil service for cities must be organized above party and solely on merit, which only involves an extension of the system which has been introduced successfully in various departments of the United States Government. \*

While this political danger from the city's employees is always heard of, nothing is said of the much more serious influence of the corporation directors, lawyers, and stockholders. The political dangers feared from an army of municipal employees have never yet been apparent in British cities. To begin with, the workers benefit doubly by municipal ownership—they share in its general advantages and receive just treatment, for a municipality must always be a model employer. Then the interests of the city's employees are divergent. Workers in various departments, while having the same employer, have not common interests. Combination among all is not practicable. In the most developed

of British cities, where every public utility service has been municipalized, the municipal employees have not proved a serious factor at election times, partly from the reason that they are too good citizens to attempt a systematic and combined campaign which would lead to reaction, and also partly from the fact that a large proportion of them live outside the borders of the municipality which they serve. Were combined action ever attempted against a common municipal employer, such a foolish proceeding would lead to the drastic remedy of disfranchisement, just as the civil servants in Washington are deprived of their votes, although not for the same reason. The interests and well-being of the whole body of citizens would always preponderate over the action of the city's employees, who must always be a comparatively insignificant minority.

There are those who will admit the whole of these premises, but still only regard the system as an ideal to be reached in the far future. Such would argue that the time is not now opportune; we must go through a transition period; we could not get honest officials; we could not trust the people yet; they do not know how to use their votes. The enemies of reform always fly to distrust of the people. The same reasons were advanced for withholding votes from agricultural laborers in England. They would not, it was said, know how to use them. They could not be trusted. People will never learn how to use political privileges until they get them, and, similarly, people will never know how to run municipalities under municipal ownership until they get the opportunity. There will at first be a period of stress, trial, and turmoil, when loyalty to the people's cause will be strained, when the old system will strive hard for mastery. This experience is gone through before all great reforms are finally established, and has been successfully weathered by loyal service and steadfast courage.

Municipal ownership, it should be borne in mind, withdraws from public life the influence of the stockholder, who, when he goes to the poll, has conflicting aims to consider—his position as a citizen and his interest as a stockholder. When the city keeps its franchise and operates its undertakings, it becomes an industrial commonwealth, as far as public works are considered,

with all the citizens as its stockholders. Once the barrier is past, once the new civic régime is inaugurated, the citizens will not be so short-sighted as to damage their own property. Those of them who hold city stock, bearing its moderate but certain return, will not like its value depreciated. They will prefer to see their city's credit stand well in the market. All other citizens are also partners in the co-operative undertakings which they use themselves or derive benefit from. As good citizens they will do nothing which is likely to impair the efficiency of their co-operative enterprises. Rather they will seek to develop them within their legitimate sphere, and widen the benefits which they confer on the people.

## AFFIRMATIVE DISCUSSION

**Arena. 34: 645-6. December, 1905.**

Fifteen Reasons Why the People Should Own Their Own Public Utilities. Frank Parsons.

1. A public plant does not have to pay dividends on watered stock.
2. It does not have to pay dividends even on the actual investment.
- ✓ 3. It does not have to retain lobbyists, or provide for the entertainment of councilmen or legislators or subscribe to campaign funds, or bear the expenses of pushing the nomination and election of men to protect its interests or give it new privileges, or pay blackmail to ward off the raids of cunning legislators and officials, etc.
- ✓ 4. It does not have to advertise or solicit business.
- ✓ 5. It is able to save a great deal by combination with other departments of public service. Speaking of the low cost of electric light in Dunkirk, the mayor of the city says: "Our city owns its water-plant, and the great saving comes from the city's owning and operating both plants together."
6. Full public-ownership (that is, public-ownership free of debt) has no interest to pay.
7. Even where public-ownership is incomplete, the people not owning the plant free of debt, they still have an advantage in respect to interest, because they can borrow at lower rates than the private companies have to pay.
8. As cities usually act as their own insurers, public-ownership is free of tribute to the profits and agency-commissions of private insurance companies.
9. There is often a large saving in salaries. A public plant pays its chief well, but does not pay the extravagant salaries

awarded by millionaire monopolists to themselves or their substitutes in office.

10. Public plants frequently gain through the higher efficiency of better treated and more contented labor.

11. The losses occasioned by costly strikes and lockouts do not burden the ledgers of public works.

12. Damages and costs of litigation are likely to be less with public than with private works. Accidents are fewer in a system that aims at good service and safety, and treats its employés well.

13. The civic interest of the people leads to other economies through the increase of patronage and the lessening of waste. The larger the output, the lower the cost of production per unit of service, other things equal, and the tendency to waste electricity, water, etc., is much less when the people know that the service is a public one, the profits of which belong to them, than when they know that the service is rendered by a private corporation charging monopoly rates and making big profits for a few stockholders. These economies are intensified as education and experience with public-ownership develop the understanding and the civic patriotism of the people.

14. The cost of numerous regulative commissions and interminable legislative investigations into the secrets of private monopolies would be saved by the extension of public-ownership.

15. Legislation would cost us less were it not for the private monopolies. For a large part of the time and attention of our legislatures is given to them.

Nebraska State Journal. May 12, 1907.

Municipal Ownership. W. A. Selleck.

There is a natural direction in which municipal functions are extending. I quote from Sidney Webb: "First, where the consumption of a commodity is compulsory, e. g., water supply, second, where no pecuniary return is received for the supply of any commodity or service; e. g., streets, sewers, fire protection; third, where the service is furnished irrespective of cost, e. g., public schools, libraries and parks; fourth, where the good of

the community demands . . . that the service rendered be as great as possible, e. g., food inspection."

There will be slight, if any, criticism on any of the foregoing heads, as we have been accustomed to consider them proper fields for municipal activity. Yet not one of them has been so established without having passed over debatable ground. Indeed the first, waterworks, may be considered by many as still on the field of debate. The second, streets, sewers and fire departments are so regarded only because we have accepted the fact that these are public uses which should be furnished without charge and at public expense. This is a matter of growth in knowledge and experience. Who of us cannot remember the toll road or the toll bridge? It is not two years since we had a private sewer within the city limits of Lincoln.

At first thought it may seem to some that the schools have no place in this discussion for surely no one thinks they should be other than public, controlled and financed by the public. Yet why do we so confidently assert this except as we firmly believe it to be for the public good? The owners of private schools, those who believe in the parochial school might well say that the public by establishing free public schools is encroaching on their ground, making their property less valuable, and in many instances could without doubt make plausible claim that they were doing as good if not better work in training children than the public school. The fact that the public school is so firmly established as to be both a national and a state policy and is no longer left to the whim of the individual city does not make the argument essentially different.

In all of the above mentioned lines municipal ownership is recognized in Lincoln, at least, as beneficial to the public.

I come now to more debatable ground. The last point was where it was desired that the service rendered, or to put it differently, the consumption by the public should be as great as possible. Reversing that statement brings the fifth head, viz: where it is desirable that the public consumption should be as small as possible, e. g. the liquor traffic. Sixth, where improved standards are desirable, regardless of their being financially self sustaining, e. g., public baths, lodging houses, parks, etc. Seventh

and lastly, where a monopoly is desirable, e. g., street railways, gas and electric light companies, telephone companies, ice plants, heating plants, garbage crematories.

In this state the public sentiment on the liquor question has apparently divided rather on the line of control or prohibition than of public ownership. One state only, so far as I can recall, having experimented along the line of ownership rather than control of private ownership.

We also recognize parks and libraries as being proper avenues of public activity. In larger and older cities baths and lodging houses are so recognized. The need is not pressing here yet and until the need is felt, public opinion can hardly be said to exist.

The last list of corporations constitute the debatable ground of the present day. Street railroads, gas and electric light and telephone companies, ice plants, heating plants and garbage plants. I have chosen to approach this group by the somewhat tedious process of this paper for the purpose of showing, if I could, that there is no essential difference between this group and the others on which we are all practically agreed.

For a moment, let us compare and contrast them. Take the street car and the gas and electric light and the telephone as the types of their class, and the waterworks, public schools and parks as the types of their class. Waterworks, schools and parks are public necessities. So are the others.

All the people are benefited alike by the waterworks, schools and parks, and are not by the cars, the lighting companies and the telephone, but is that true? On the contrary, is it not more true that the burden of their support falls on all but the benefits are enjoyed by those who happen to be prepared to enjoy them?

The taxpayer who has no children gets only an indirect benefit from the public schools. The man living at a distance from the park does not get the same benefit as the man who happens to have located near it. The house that is not reached by the water main must still depend on the cistern or the well for drinking water. Indeed, light, heat and means of communication either of transporting the body or the voice is fully as much a necessity of city life as is water or schooling or library books.

Does anyone say a man cannot go without water and live?

I reply I agree, but he is not obliged to have water pumped through mains as long as the rains descend and the springs of earth do not dry up.

Compare them as you will; contrast them in any way possible and you will find that the reasons which have made desirable public ownership of schools, libraries, waterworks, streets and alleys, parks, etc., are all applicable and cogent reasons for the ownership of any and all public corporations whose business it is to serve the public at large as a public body, or whose business is such as requires a continuous and permanent use of the public streets.

**Outlook.** 80: 411-3. June 17, 1905.

#### Municipal Ownership.

A contributor reports on another page the results of municipal ownership of street railways in Glasgow. We believe that his statement of facts can be absolutely trusted; and they seem to demonstrate that, given the right conditions, municipal ownership and operation of street railways may be made highly advantageous to the citizens. New York and Chicago are not Glasgow. The question whether municipal ownership and administration can be made advantageous to the citizens of an American city is not conclusively answered by the fact that such ownership and administration have been made successful in a Scotch city. It is still necessary to ask, What conditions in the American city are necessary to make such success probable, and can these conditions be brought about? In answering these questions we take a concrete case, that of New York City, but the general principles will apply equally, though with modifications, to all American cities of considerable size.

I. The city must not tie its hands by granting to any corporation a permanent franchise to conduct any municipal industry. A franchise to an inter-State railroad to enter the city is not one to conduct a municipal industry; but even in such cases the franchise should always be subject to periodical revaluations. No water, gas, telephone, electric, dock, or transportation franchise should be granted except for a moderate term of years. Where

it is possible, the city should build and own the plant, as it has built and owns the subways in Boston and New York. If it has not the money, and if constitutional limitations deny it the right to use its credit, as is the case in New York, arrangements should be made in the contract with the operating corporation by which the property may be purchased at a fair valuation by the city.

II. If the city is to carry on municipal industries—as water, lighting, dock, telephone, and transportation systems—it is indispensable that the city secure for that purpose honest and capable officials. In Glasgow only rate and rent payers vote in municipal elections. "The slums," says Mr. Shaw in his volume on "Municipal Government in Great Britain," "evade the tax-collector and sacrifice the franchise." Moreover, "the extraordinarily severe laws against bribery, direct and indirect, apply to municipal elections; and it is next to impossible to get a British voter to the polls who does not contemplate the contest with some glimmering of interest and intelligence." Whether it would be advantageous to attach a property or tax-paying qualification to the suffrage in American cities it is useless to discuss; because such limitation of the suffrage, however desirable, is impracticable. It is easy to attach qualifications to the suffrage when it is granted, but almost impossible to do so afterwards.

The result which Glasgow secures by a limited suffrage, American cities must generally secure by another method. By the extension and enforcement of the Australian ballot system, and the abolition of the provision allowing the illiterate voter to take some one into the polling-booth with him, a *quasi* educational qualification can be attached to the ballot. Quite as important is a political reconstruction of the city to adjust it to modern needs. The municipal council in most of our cities is patterned after the State and National legislative bodies. But a municipal council is not analogous to a State or National legislature. It is far more analogous to the board of directors of a commercial corporation. The recent act of the New York Legislature in taking from the New York Board of Aldermen, as its municipal council is called, the power of granting franchises and conferring it upon the Board of Estimate and Apportionment is a step in the right direction. But it is only a step. What is really wanted is the

abolition of the municipal council which is elected by wards, and the substitution therefor of a small board of not more than fifteen nor less than nine, who shall be elected on a general ticket, or by boroughs, and shall represent the entire city. Experience has proved that ward representation tends to ward politics—the bane of our municipal system. It has been proved that it is almost impossible to get threescore or more of men who are honest and capable, and who will give their time to the details of city administration. And it has also been proved, by the value of the services rendered by the Rapid Transit Commission and by the Board of Estimate and Apportionment, that it is possible to get a small board of competent, honest, and public-spirited men. The work of a city council is administrative, not legislative; and for such work a small body, not a large one, is needed.

Finally, the city must not expect to make money out of its industries; it must expect only to make them self-supporting. It may be that private corporations will pay into the city treasury more money in the form of taxes than the municipally conducted industry will pay in the form of profits. "The dividends which the city reaps," says our correspondent, "are in the form of civic betterment, lower death rate, and improvement in social conditions." The city will pay here, as it has paid abroad, higher wages; it will prescribe for its employees here, as it has prescribed for them there, shorter hours. It will give to the traveling public here, as it has given there, lower rates. In other words, the profits which have gone into the pockets of capitalists as a payment for their money and their services will be distributed partly among the employees in better labor conditions and partly among the traveling public in better accommodations and lowered prices. No more may be expected to be paid into the city treasury than is necessary to accumulate a fund for large repairs, for important extensions, and for unexpected exigencies.

There is no good reason why any American city should not have an experience parallel to that of Glasgow, provided it will comply with the necessary conditions: provided it will not part with the control of its streets by granting indefinite or perpetual franchises; will frame its city government for administrative rather than for legislative purposes; will develop a civic

pride and a public spirit which will inspire men of integrity and of ability to serve the city; will exclude all partisan spirit from the administration of its municipal industries; and will look for its profits, not to treasury balances, but to a purer and better municipal life.

**Reader. 7: 477-84. April, 1906.**

Municipal Ownership—What It Means. Edward F. Dunne.

*Nature of Utilities.*

If a person seeks to deal with a grocer, a butcher, a baker, a doctor, a lawyer or any other similar purveyor of a needed object, he may transact business with some independence. He is enabled to stand at arm's length, to make a free and voluntary contract. If the character of the goods he seeks to purchase is unsatisfactory, he may go elsewhere. If the price his grocer, or butcher, or baker asks is unreasonable, he may go to another. He is not bound by circumstances to deal with any one person or company in the purchase of such necessities of life.

But if this same person seeks to purchase gas or electric light, or to utilize the street-cars, the steam cars, the telegraph or the telephone, he finds himself deprived of the right of free contract. He must take such service as is offered him and he must pay the price demanded. There is no alternative. He finds himself face to face with a monopoly, and he must stand and deliver, or do without. Individual protest against such a monopoly is absolutely unavailing. He may protest against the character of the street-car service, or against the rate of fare charged. But, if he wishes to ride, he must pay the rate fixed and endure the service given or be thrown off. His gas may be of deficient quality, or the price exorbitant, but he must meet the corporation's demands or his meter is jerked out. His telephone service may be unsatisfactory, and he may complain against high rates, but he must pay the price charged or the wires will be cut and his telephone removed.

*Graft and Ownership.*

Private ownership of traction and other utilities has shown that these corporations have wielded, at times, a dangerous power in our political life. Yet the cry has been raised by opponents of municipal ownership that public control of these conveniences would lead to the establishment of a "political machine" which would prove a menace to any municipality involved. This cry is wholly false. Hundreds and hundreds of municipalities, where the people have claimed their own, testify to-day to the falsity of this outcry.

Municipal ownership will take the traction and similar utilities *out* of politics. Private ownership keeps them *in* politics. Only a few days ago one member of Chicago's City Council made the statement that he had one hundred and fourteen of his ward "constituents" on the pay roll of the Chicago City Railway Company.

"That's the way I take care of my fellows," he said. "And I've got a lot more jobs with other corporations."

And this is but one alderman who has secured jobs for his followers and lieutenants with one traction corporation. This official, it may be remarked, has voted persistently in the Council for the plans of the traction corporations. Does he get the "jobs" as partial return? I leave the reader to answer. There are other aldermen who have made boast to friends of the number of "constits" they have placed with the traction corporations. Does this look as if private ownership has kept these utilities out of politics? To this cry of "political machine" it might be pertinent to return the inquiry as to whether any "political boss" in any of our cities ever has been found contending for the principle of public ownership of public utilities. On the contrary, the "political boss," wherever he flourishes, is found eager to continue public utilities in private hands. The reason is plain: Private ownership continues the opportunities for graft, for the traffic in votes for special privileges and franchises, for corruption. Municipal ownership, conducted under rigid civil service, as all its true adherents demand, will remove the "traction problem" and similar questions from politics and

effectively and finally displace private corporate and individual privilege-seekers from the positions they have held in corrupting the civic and political body.

*Results of Ownership.*

The success of municipal ownership in the cities of Great Britain, of Switzerland, of Italy, of Austria-Hungary and of Australia has sounded the knell of private ownership of public utilities in the countries of the eastern hemisphere. It has produced, in almost every case, these foremost results:

First—Reduced the cost of the utility to the public.

Second—Increased the efficiency of the service; brought about the re-equipment of lines and plants in accordance with modern methods; secured regular service with more frequent schedules and less-crowded cars; reduced accidents.

Third—Increased the wages and bettered conditions of the workers who operate these utilities.

Fourth—Made strikes a thing of the past. *✓*

Fifth—Eliminated public “graft” and corruption.

*Outlook.* 70: 726-7. March 22, 1906. *✓*

Municipal Ownership and Corrupt Politics. Henry C. Adams.

The question of the municipal ownership of street railways is not an isolated question, but a part of a great system of industrial evolution that is now going on. Whether regarded from the nature of the service rendered or of the conditions under which they are operated, street railways must be classed as public industries; and, this being the case, the question whether they should be owned and operated by the municipality, or controlled through a commission appointed by the municipality, is the only one to be considered. My own opinion, arrived at with some reluctance after many years of hesitation, is that the policy of public ownership and public administration has more to be said in its favor, all things taken into consideration, than the programme of public control.

It is often said that municipal ownership of the street railways would result in the creation of a political machine and in the corruption of city politics. This, without doubt, suggests a most serious criticism upon the plan. At the same time, I am inclined to think there is less likelihood of corruption should the street railways be owned by the city than under existing conditions. The franchise of the street railway in a large city is worth an immense amount of money, and increases in value at a rate more rapid than the increase in population. This being the case, there is every motive presented for the purchase of political influence, so long as the street railway remains in the hands of private corporations. If, however, the city itself owns the franchise and operates the railways upon it, the Aldermen have nothing of value to sell, and the present form of political corruption at least would be done away with.

There are two thoughts in addition that I would like to suggest. In the first place, are we entirely clear as to what we mean when we use the term "political corruption"? Many things which in private industry are regarded as all right are characterized as corrupt if done by an official of the State.

The truth is, the ideal of public morality entertained by the American people is infinitely purer and higher than the ideal of morality which controls in the business world. We should not forget that municipal ownership means absolute publicity, an established system of accounting, and the unquestioned right on the part of citizens to investigate the manner in which the municipality performs its public duties—a condition which does not and cannot exist so long as street railways continue to be private property.

The second thought which I wish to express relative to this phase of the question is that public responsibility is always followed by a development of the sense of respectability. Men of influence and brains are no longer in this generation influenced by the amount of money that can be made out of a situation. The political economy which assumes that the struggle for money is an adequate explanation of industrial conduct is sure to err in its conclusions, because it does not recognize all the motives involved. The sense of power and the ambition for influence are

equally strong motives to industrial activity with the desire for money. This being the case, the talents and brains of the country will inevitably be drawn into the service of those organizations which grant the opportunity of an exercise of power and influence.

The conclusion from this premise is direct. If the municipalities wish to secure the services of men of talent and of respectability, they must assume functions that call talent into the field and also those that gratify the sense of respectability. History declares that the rise of efficient local government follows the assumption by the government of social responsibilities, and, as exemplified in the United States, that the decay of local government follows the restriction of local functions.

The superficial humorist may reply that this argument involves an amendment of the New Testament to the effect that he who is unfaithful in little things will surely be faithful in big things, which, of course, is not only a misquotation but a misapplication of the true quotation. If the city desires the service of respectability and talent, it must grant to its servants responsibility and influence.

The dangers which attend the experiment in municipal ownership of street railways arise, as it appears to me, from two sources. In the first place, it is likely that the public will demand an immediate dividend from the new investment in an abnormal reduction in fares, and, in the second place, it is not unlikely that the Common Council of the city, in its desire to justify the purchase, will sacrifice the interests of the future to the present. These difficulties, however, may be easily avoided by two simple devices. In the first place, the municipal railway accounts should provide for a deterioration account, and charge up to operating expenses each year an ample sum to cover deterioration. Provided this is done, fares cannot be reduced too low—assuming, of course, that the railways are not to be operated for the public profit. In the second place, the bonds issued for this purpose should include a sinking-fund provision capable of wiping out the debt in a reasonable number of years.

It seems to me that the problem of municipal ownership of street railways and the government ownership of commercial railways are independent problems. The great difficulty in gov-

ernment ownership of commercial railways does not lie in the technical questions of construction and operation, but in the adjustment of a schedule of rates that shall be fair to all sections of the country. In the question of municipal railways this question does not find a place. There are no terminal facilities, since the freight carried, being passengers, is self-loading and self-unloading; there is no need of an extended classification of freight, since all freight for the most part is of the same sort. The question of rates is one that may be easily and simply settled. Moreover, the interests involved in the case of municipal railways are restricted to a small locality, and the result of this is that the policies of administration may be easily adjusted. For many other reasons also that might be mentioned, the decision in favor of municipal ownership for street railways does not involve a similar decision for commercial railways.

**Independent.** 60: 449-52. February 22, 1906.

Municipal Ownership a Blessing. John Burns.

The increase in the "social sense" which the universal demand for municipal ownership symptomizes is one of the most hopeful signs of the day in America and thruout the world. Cheap, popular, publicly owned rapid transit is the best way to disperse the ghettos of poverty, the slums of misery and the Alsatias of vice. The basis of a happy life is unattainable so long as railroads, ferries, traction and electric light companies are used as, under present conditions, they often are, against social advancement. The home, which is the cradle of character, can no more be solved by the tenement dwelling than city architecture can be improved by a duplication of flatiron buildings. Mount Kisco is a slope, not an elevation, and till municipal ownership of street railways, with a deliberate social object in view, is attained, the workers of the lower East Side, the West Side and other congested quarters must remain in that circumscribed pit of Tophet in which limited space, high rents and restricted company tractions now confine them. Men and money, like

manure, are no good in heaps. They putrefy. They are only good when scattered over fresh fields and pastures new.

The greatest agency—indeed, the only agency—is city tractions owned by the city, carrying the citizens, taking the town to the country in the evening, bringing the country to the town in the morning.

Municipal ownership as usually tried in Europe, particularly in Great Britain, has been a counter attraction to drink, a healthy diversion from vice, and has shown the people a more excellent way of personal and national life. The bread of municipal ownership has been cast upon the waters, and has been returned to us, not after many days, but almost immediately. In industry it has made against Sam Parks on the one side and Farley on the other. It has infused the embittered car driver and conductor with a proportionate dignified and civic sense of duty to his neighbors who employ him. The municipal car man has reciprocated his share that municipal ownership has brought to him by greater efficiency, civility and loyalty to his employers, the traveling public. The poor and lowly it has helped by reducing distances and saving them from physical fatigue, which, rather than endure by living in the suburbs, when they had to walk, they forfeited for the squalid banalities of slumdom. I know of no section which has lost by municipal ownership in England. Even the dispossessed and generously compensated shareholders have profited by the great increment of social happiness that public tractions has brought to all those cities which had the courage to enter upon it.

The chief contribution that municipal ownership will make in America to State, Federal and civic development will be the extent to which it kills boodle, destroys graft and eliminates from public life and service the petty corruptions that mortify the flesh in the body politic of America, without the cleanliness and the purging of municipal life that can only come from the moral exaltation that communal pride in public property alone brings. America will be confronted with the greatest problem that ever lay athwart the upward path of a democratic people.

Under municipal ownership there is no one to offer bribes, because there is nothing to sell. The occupation of the thief is

gone, because the receiver has disappeared. Any doubts as to the greater cheapness and efficiency of municipal ownership are disposed of by the incontestable fact that in Great Britain—under municipal ownership—roads are better, the staff more loyal, because more contented, and the amazing cheapness of traction is proved by the fact that the average fare of electric car passengers in London is under two cents, while over fifty millions of people ride as one cent passengers.

The effect on housing has been the disappearance in ten years of eighty thousand one room tenements, a corresponding increase in larger tenements and a diversion to common parks and heaths of the women and children, who by traction alone, without injury or loss to any one, now secure, as an everyday right, what, thru company ownership and dear fares, was an occasional and fatiguing privilege.

The educational value of municipal ownership on all classes of a community in Europe is most marked. It is the seminary to the statesman, it is the school to the political economist, it is the college to the reformer, it is the polytechnic to the labor leader. On a smaller, but equally useful, scale the larger duties and obligations of government are learned, and as America fifty years hence will possibly have two hundred millions of inhabitants, it is about time that the assimilation of these millions, the co-ordination of these masses, the directing leadership of this host should be provided with civic guides, municipal philosophers and neighborly friends, so that the path of the greatest community of free men should be not only straight, but clean, and till some field of apprenticeship for this stewardship for the leaders of the future is provided, America's future will be not the conscious ordering, but a sordid welter and an undignified scramble for mere money, which is the present creed of the corrupting boodler. Municipal ownership destroys this species and in so doing discourages and renders impossible the sad revelations that your insurance scandals have revealed. Appetite grows by what it feeds upon. The seed of corruption dropped by the political agents in elections, in defense of their franchise and to extend their power, becomes a seed-plot from which is reared the upas tree of state defilement. President Roosevelt realizes that

it may reach, if it has not already done so, Federal political life. Why be wise after the event? Prevention is better than cure, and surely American opinion, after having read the "Shame of the Cities," might save itself another book called "The Crime of the Republic." Both can be avoided thru the trade union, the labor leader, social idealists, city merchants, the governing aldermen, the men and statesmen, all uniting in a movement that experience unanimously testifies in Great Britain is the greatest ameliorative agency, as it has been the greatest moral force that fifty years of brilliant, continuous and glorious success has secured the Anglo-Saxon people. America is not cursed with that heritage of snobbery, feudalism and convention that Old World communities have had to contend against. Its immunity from these disabilities gives it greater power than it ever dreamed of, and yet public utilities lie across its continent a fallow field trodden only by privileged monopolies, and denied to the citizen without toll, exaction and fraud. If democracy is to justify itself, as I hope and believe it will, it can only do it by the municipal ownership equipping the American people with the one thing they supremely lack as compared with Europeans, and that is cleaner, purer civic life, without which personal wealth is a mockery, national resources a misused gift and their constitution a thing of paper.

It is said that the municipal employee may become a serious and dangerous influence, when the source of his income is owned by the community in which he is a voter.

This fear seems to be a stumbling block to a great many well meaning and sincere people. My answer to it is this: The test from experience is all the other way. As a rule, municipal employees have been modest in their claims, reasonable in their demands, and, as an invariable rule, municipal labor has been singularly free from strikes and other disturbances. At the worst, these must always be in a minority. The employees of a municipality never have any difficulty in getting, without threats, as a right, what now is occasionally wrested from the private companies by sacrifice, pain and disturbance for the whole community. In a word, municipal ownership, apart from being good for passengers, best for cities, cheapest for the poor, is the line of least resistance for the solution of industrial problems, is the

way that wisdom directs and necessity compels. The extent to which municipal ownership prevails in any country is the standard of class co-operation by common means for common ends.

The car barn vote introduces into politics the interested "pull" to an extent that is impossible under municipal ownership, because the usual political differences operate with men under municipal ownership, and thus create an electoral equipoise which is impossible so long as men's employment depends upon votes, as it too often does, under company rule. The danger of the municipal employee is a bogie which is always raised in America, which we have buried for all time in the old country. To their credit, they rarely, if ever, abuse the position that municipal ownership gives them, and if they were inclined to do so against the community, the community in turn has always a better, a simpler and more peaceful remedy than now prevails.

**Independent. 61: 927-30. October 18, 1906.**

✓ Our Fight for Municipal Ownership. Edward F. Dunne.

In recent years perhaps no subject has engrossed so much of the attention of the public in the great cities of this country, and in Chicago particularly, as the question of ownership and operation by the public of public utilities. By these I mean street cars, gas works, electric light plants, telephones, telegraphs, railroads and other enterprises, the operation of which requires the possession and use of public property.

No subject is of more vital interest to the inhabitants of cities, who are compelled, day by day and year by year, to make use of and pay for these utilities, whether they like them or not.

A resident of a city may dicker, bargain with and change his butcher, his baker, his haberdasher, his tailor, his lawyer, his doctor, if he is not satisfied with his services or charges, but when he comes to pay his street-car fare, his electric light or telephone bill there is room for neither dicker, trade nor change. He must stand up and deliver, no matter how unreasonable the charge or unsatisfactory the service.

If he objects to the street car service or the price, he is thrown off the car. If he demurs to the service or price of gas or electric light, it is shut off. If he criticises his telephone bill, his 'phone is pulled out. He has learned by experience that individual protest or objection is unavailing.

The existence of grave and scandalous abuses, both in the service given and the price charged for such utilities, and the recognition by thousands of the utter helplessness of citizens, as individuals, to help themselves or correct these evils, which have become over-burdensome and intolerable, have brought about in many of the great cities of the world an unrest and public agitation for the correction of these evils.

In Chicago a citizen is charged from \$40 to \$175 for the annual rent of a telephone, and the service is not over-good at that. The same service is given in Stockholm, Sweden, for \$20 a year, on the average; in Christiana, Norway, for \$22 a year, on the average; in Trondhjem, Norway, for \$13.50 a year, on the average; in Berne and Zurich, Switzerland, for \$10 and upward; in Berlin for \$36 per annum; in Copenhagen from \$27 to \$48, and in Paris, France, for \$78.

The same disproportion obtains in the cost of the other utilities. In Chicago the shortest ride a man can take on the street cars costs him five cents, and then he rides a great part of the way hanging to a strap, jammed, jostled and jolted about in a manner that is irritating to his fellow passengers and indecent to the gentler sex. The fare paid in other great cities of the world, outside the United States, is about one-half that amount.

This state of facts and figures in Chicago and elsewhere is causing the people to endeavor to find the reason for this condition of affairs, and to find a remedy.

On the threshold of this inquiry the people of Chicago have discovered that all these public utilities furnished to the citizens of the city of Chicago are owned and operated by private corporations, organized and conducted for private gain. On stepping over the threshold into the vestibule of the investigation they have also found that in all the cities where public utilities were furnished at a cheaper price, these public utilities were generally

being owned and operated by the public—in other words, by the municipality itself.

Must or must we not conclude that the difference in ownership and operation is the cause of the wide discrepancy in the cost of these absolutely essential necessities of life to the residents of cities?

These facts and their significance had long engaged my attention, in common with that of other thoughtful men of Chicago, when my election as Mayor in April of last year gave me opportunity to help in the solution of at least one of these problems. I refer to the traction problem, which sooner or later must confront every growing city in the land. Conditions in Chicago were especially bad, so much so that my campaign was conducted on a municipal ownership platform, and the people at the polls declared emphatically in favor of the acquisition and ownership of the traction systems of the city. How far the present administration has been able to carry out the wishes of the people in this direction doubtless will be of interest everywhere to foes as well as advocates of the municipal ownership idea.

At the time of my inauguration a great strike of teamsters was in progress. It lasted one hundred and five days, and presented sufficient problems of its own to keep the administration engrossed until July 5th, 1905, when I took the first step toward carrying out the wishes of the people as expressed at the polls. I submitted to the council a message offering two plans by which the city could acquire possession of the traction systems.

One of the plans provided for an ordinance under which not to exceed \$75,000,000 worth of "Mueller certificates" should be issued, subject to the approval of the people. These certificates were to be in the nature of income bonds, payable out of the receipts of the traction system, and not a general obligation of the city. The theory was that they could be disposed of readily and would yield the money necessary for the purchase of the street railway properties or the building of new roads. This became known as the "city plan."

The second plan, known as the "contract plan," offered a twenty-year franchise to five or more citizens who would agree to accept a charter, issue the necessary bonds and construct a modern

electric system covering the entire city. These proposed bonds would bear a 5 per cent. interest and be used solely for the acquisition of the street railway properties. The net receipts of the system were to be turned into a sinking fund to the credit of the City of Chicago, to be used ultimately for the purchase of the system by the city.

Under this plan the enterprise would be undertaken on a purely patriotic basis, for the good of the city, the company receiving no benefit beyond the salaries for the board of directors and the interest on the bonds.

On the submission of these plans to the council, they were promptly referred to the committee on local transportation, which unfortunately was not in sympathy with the municipal ownership idea. This committee held up the plans for several months, and, notwithstanding my repeated protests, invited the traction companies to negotiate with the city for an extension of their franchises. By December 5 these negotiations had so far proceeded that the committee had agreed upon and recommended to the city council ordinances which would have extended the franchises and postponed municipal ownership many years.

During this period litigation was pending in the Circuit Court of the United States, involving the validity of the companies' claims that their franchises, under the so-called 99-year act, would not expire until 1958. This claim was viewed with alarm by all parties, as giving the traction companies practically indefinite rights in the streets of Chicago, and formed the basis of most of the arguments in favor of granting some franchises by ordinance to the traction companies then and now in possession of our streets.

It was apparent that nothing could be accomplished by the administration until a final decision of the courts in this matter could be obtained. Immediately upon entering office I had appointed Mr. Clarence S. Darrow as special traction counsel and Glen E. Plumb and Edgar B. Tolman as assistant traction counsel. These gentlemen, together with the corporation counsel, Hon. James Hamilton Lewis, pushed the pending suit with great vigor. On March 12, 1906, the highest tribunal in the land, the Supreme Court of the United States, declared these

so-called 99-year claims without foundation. The city thoroly defeated the companies at every point.

In January, 1906, it became evident that the ordinances extending the franchises would never be ratified by the people even if passed by the council. Prominent citizens and newspapers who at first had opposed the mayor's policy now advocated the defeat of the ordinances extending franchises which had been framed up in committee. The spring election was approaching. This was the situation when unexpectedly, on January 19, 1906, on receipt of the report of the transportation committee, the council passed the ordinance framed by the mayor, authorizing the submission to the people of the question as to whether the Mueller certificates proposed should be issued.

The issue for the spring election was thus clearly defined and was fiercely contested before the people. Two ordinances were submitted for approval at the polls. One authorized the Mueller certificates; the other, the operation of the road when acquired by the city. Notwithstanding the solid opposition of the Republican party, the opposition of the press and the hostility of Democratic leaders, the ordinance authorizing the certificates carried by about four thousand majority. The ordinance authorizing the operation of the railroad lacked the requisite number of votes, 60 per cent. being needed, altho it received a majority of about twelve thousand.

Immediately after this election I instructed our traction counsel, Messrs. Walter L. Fisher and Samuel Adams, to test in the courts the validity of the Mueller certificates as authorized by the popular vote, and of the statute which authorized the city to own and operate street cars. The Circuit Court of Cook County upheld the validity of the certificates, the ordinance and the Mueller law. An appeal has been taken to the Illinois Supreme Court, which I am confident will uphold the decision of the lower court in every particular.

When this is accomplished our long and successful fight will be over, for I have no doubt that we shall negotiate the certificates readily and be able to purchase the railway properties with the proceeds.

At the present time the city is negotiating with the traction

companies in accordance with a letter which, as mayor, I addressed to the chairman of the transportation committee. In that letter I suggested that, pending the litigation which would settle the validity of the Mueller law and ordinance, if the present companies were able and willing to enter into an agreement to sell to the city all of their tangible property and unexpired franchises and rights, at a price to be fixed at once, and to undertake the immediate improvement of their service, the city would be prepared to enter into negotiations on the basis of paying the fair cash value of the tangible and intangible property and actual cost of improvements, together with reasonable interest thereon. Pending payment, the roads were to be operated by the companies so as to provide for a sinking fund out of the proceeds to apply on the purchase price.

The companies, in response to my letter, assented to the carrying on of negotiations on these lines, and have placed an excessive value upon their properties, some \$73,000,000. The city has employed competent engineers to value the plants, the commission consisting of Professor Cooley, dean of the engineering college of the University of Michigan; Bion J. Arnold and A. B. duPont. Failing to reach an agreement with the companies, we shall offer to arbitrate, in accordance with provisions in the ordinances under which the companies have been operating. Should an agreement become impossible, we shall place our certificates on the market for sale and with the proceeds build new modern lines.

Upon the maturity of these certificates, all of them, in my judgment, can be paid in full, and the people then owning their plant, can proceed to reduce fares to the lowest possible cost, as has been done in all the great cities of England and in many of the great cities of Germany, Austria-Hungary, Australia and Italy.

Corruption of public officials, the stealing of public property, favoritism in the selection of employees, strikes, inefficient service, exorbitant charges and insolence toward and defiance of the public has marked the history of private management of public utilities in Chicago and elsewhere in America. The people have called a halt. The demand of the people to place

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a check upon public corruption by and with the referendum, at first feeble and unheeded, has swelled into a roar whose reverberations are heard in the council chambers of the land, as well as in the temples of finance.

In my judgment the people are in no condition to be longer trifled with; no longer will they be despoiled and flouted as they have been in the past, and the legislator, councilman or alderman who remains deaf to the cry of the people and heedless of the popular demand for municipal ownership under honest civil service rules and the referendum, may as well prepare for sepulture under a stone upon which will be written the epitaph, "He served the corporations—not the people."

✓ **Cosmopolitan.** 30: 557-60. March, 1901.

Advantages of Public Ownership and Management of Natural Monopolies. Richard T. Ely.

It may be said in favor of public ownership and public management, that by this means the regulation required by the general public arises out of the nature of public property. When private persons manage private property, the natural thing for them to do is to manage it in the interests of private individuals. When public property is managed by public authorities, the natural thing is to manage it in the interests of the general public, because the ownership is, by the very hypothesis, vested in the general public. The easy and natural thing to do is to manage property in the interest of its owner. It is, as a rule, right and proper to manage private property in the interest of private persons, and not infrequently it is gross abuse of a trust to manage it otherwise. It is, on the other hand, a perversion of public property to manage it in the interests of private persons. As in the case of private ownership of natural monopolies it requires a pressure diverting property from that management springing up out of the nature of property, to secure the public ends, so it is only through an open and acknowledged abuse of a public trust that public

property can be otherwise managed than to promote the general welfare.

It is a decided advantage of public ownership coupled with public management, that it makes clear the issues before us with respect to natural monopolies. Exactly what the situation is, may readily be discovered. The source of evils which exist can be ascertained, and steps taken to introduce appropriate remedies. Naturally there may be resistance, and frequently there is resistance, on the part of private interests to a wise management of public property and public business. This resistance has various sources. Partisan politics will occur to every one as one source. The low and degraded view of public office as a reward of party service and not as a public trust, is one of the great evils against which the American people have been contending for a generation. On the whole this contest has been successful, although there still remains much to be done to bring about popular enlightenment concerning the true nature of public office and to cultivate a finer sense of right and wrong with respect to it. A more dangerous, because frequently a more powerful and always a more insidious, source of resistance to right management of public undertakings, is found in the selfish interests of private corporations and powerful private combinations of one sort and another. It was the political machine of Philadelphia acting in harmony with a private corporation, which turned over the public gas-works to a private corporation. At the time this article is being written, this same political machine is opposing the improvement of the public water-works, and is favoring a plan to lease them to a private corporation. The people of Philadelphia have already approved a loan the design of which is to improve the public water-works, but the political machine, in the service of private interests, resists needed improvements. There is strong reason to suspect that private parties in their own private interests sometimes do what they can to make public enterprises a failure, and there is also a very wide-spread effort to represent public activities of every kind as much worse than they really are, coupled with a reluctance to acknowledge merit on the part of those engaged in the public service. In consequence

of this, it becomes necessary to go behind the politician, often a mere tool, to find the real power behind him, and this real power may belong to the very respectable elements of the community.

There must inevitably be a struggle to establish the policy of public ownership of natural monopolies, but when this policy is once thoroughly established, when it comes to be so thoroughly approved and so firmly rooted in our life that an effort to upset it is manifestly hopeless, it must enlist in the cause of good government the intelligent and well-to-do element in the community. There will then be established a harmony of interests which is now so sadly wanting.

It is often said, it is said, every day by press and pulpit, that the better class of the community is apathetic. But why is this the case? What is the deeper, underlying cause? When the better class of the community feels itself and its interests seriously threatened, it is by no means apathetic. Take the better class of New York and Boston in its attitude upon the question of silver monometallism. This better class has a very clear idea concerning its own interests with respect to the free and unlimited coinage of silver, and will any one claim that with respect to this question it is apathetic? But what is the interest of this better class with respect to excellence in municipal government? Would not their franchises suffer, would not the terms under which they are able to serve the public with their property, be changed for the worse for them, by municipal reform? Probably in every great city in which the policy of private ownership of municipal monopolies obtains, the number of persons financially interested in this private ownership exceeds by far the number of officeholders. Can the apathy and indifference they show be a source of surprise? Must it not, on the other hand, be a source of surprise that in many of our cities there is so much effort as we actually see on the part of the well-to-do to establish good municipal government, even when this involves a considerable amount of self-sacrifice?

We indulge in no attacks on individuals or classes. We are attempting to show what course of action men's interests lead them to take, and we ask this question: Can we base a pub-

lic policy upon the hypothesis that a large and powerful class in the community will act in a manner contrary to its own interests?

In all the cities of the world where there is a thoroughly established policy of public ownership and management, the well-to-do find that their interests are bound up with those of good government. It is a great thing so to clarify the situation that we can find out exactly what are the obstacles in the way of improvement.

Closely connected with what has gone before, it must be observed that while malignant forces tending to degradation will still exist under public ownership, some of the more powerful forces of corruption will disappear. The purity of public life will then simply depend upon the general level of intelligence and morality, and if that is as high in New York as in Berlin, there is no reason why in the course of time New York should not, equally with Berlin, secure a model government.

Another advantage resulting from public ownership of natural monopolies, coupled with excellence in their management, would be the fair and impartial conditions under which private business would hereafter be conducted. We have now a class of dependent monopolies, monopolies which are not such in their own nature but such because they receive favors from monopolistic enterprises. It is at least questionable whether in agriculture, manufacture or commerce any monopoly could be built up without public or private favors. If an agricultural, manufacturing or commercial business is not aided by positive legislation, and is not assisted by special railway rates or favors of any sort coming from any other monopolistic undertaking, the writer is not prepared to admit that it can become a monopoly. An exception, of course, is made of those enterprises based upon very limited supplies of natural treasures, such as anthracite coal.

Enlarging the field of public industry would give a career in the service of the public to talent; it would tend to establish a balance between the advantages of public and private life,

and could not fail in an intelligent and, on the whole, upright community to ennoble public life.

It is gratifying to see that to an ever-increasing extent these truths, not after all difficult of comprehension when serious attention is given to them, are coming to be accepted. While this article is being written, a campaign is in progress in one city in which the candidate of the Republican party has given as clear expression to these truths as one could desire. As reported by a prominent newspaper, he states his views in part in these words: "If elected, I expect to continue in my attempts to carry out the principles of my platform of two years' ago, reiterated in the platform of this year, for the public ownership and control of public utilities, such as water, gas and electric-light plants, street-railways and telephones. . . . I should like to see a civil service law enacted to go hand in hand with these reforms, but I do not believe that we should wait for such a measure. I am firmly of the opinion that the public ownership of such franchises will of itself bring about civil service reform. Municipal ownership will do more than any other one thing to improve city government in America. In my opinion much of the poor and bad government in city affairs is due to the influence of franchise-holding corporations. It is to their interest to have poor government, to secure the election and appointment of officials whom they can control to their selfish ends. We have seen examples of this in our own city, where local corporations exerted their influence against salutary measures looking toward civil service and other similar reforms."

On the other hand, the platform adopted by the Democratic party in another city in the campaign which is at the same time in progress, shows that the recognition of these principles which the writer is endeavoring to establish in this article is not confined to any one party. The following is one of the planks in this platform:

"We believe the prevailing corruption and bribery in all large cities to be caused by the fact that public utilities are controlled by private corporations. The dependent relation of corporations upon the good will of aldermen, coupled with the frailty

of human nature, makes it impossible to secure official honesty. While there are disadvantages attendant upon municipal control and ownership of public utilities, they are insignificant compared to the wholesale corruption and bribery incident to control by private corporations."

The methods to achieve the desired transformation in our public life are many. Every improvement in the civil service is helpful. The diffusion of knowledge begetting clear-cut ideas concerning the nature of public corruption, as well as sound ideas concerning social progress, is the chief force producing a movement in the right direction, and the number of educational agencies at work in the enlightenment of public opinion is as gratifying as it is surprising to one who has not considered the subject. The popular educational agencies which have come into operation in the United States during the present generation, are something without a parallel in the world's history. We have our great Chautauqua movement and other similar movements almost innumerable. We have our University Extension movement, together with the unparalleled activities of our universities in all branches of learning which pertain to public life. Our state universities, a part of the governmental machinery of our states, are undergoing an expansion and an improvement which would have been deemed incredible even ten years ago. Once more, we have a serious proposal to establish a national university at Washington, and if this is ever established it will no doubt become a civic academy, doing for the civil service something like the work which West Point and Annapolis do respectively for the army and the naval service.

While the influence of the press is often devoted to private interests, it is gratifying to see the stand which not infrequently influential newspapers take in behalf of the public, even against powerful private interests. At the same time, the public conscience is being educated by the pulpit. Most gratifying is the public spirit of many men of large wealth who are active in the promotion of good government, while organizations of business men, for example the merchants of New York, are frequently taking a noble stand in defense of popular rights. We may, then, in conclusion say that while the obstacles to

reform are many and progress must in the nature of things be slow, the situation is on the whole a hopeful one. We must not expect great changes this year or next year, but we may feel pleased if there is a steady movement in the right direction. Nor must we be fanatical adherents of any one particular reform. Social improvements come in many different ways and from every direction. Each one sees but a fractional part of the truth, and must be satisfied if he contributes a little part to the grand work of social amelioration.

✓ *North American Review.* 182: 701-8. May, 1906.

Municipal Ownership of Public Utilities. George Stewart Brown.

Progressive Democrats are for municipal ownership, primarily, because they believe in democracy. They believe (1) that competition in the public services is impracticable; (2) that municipal ownership will pay, either in cash savings to the taxpayer or in cheaper and better service; (3) that municipal ownership is a political necessity, and will remove the main and most threatening source of political corruption.

*Competition in Public-Service Industries is Impracticable.*

There is a fundamental difference between a corner grocery, for instance, which can spring up anywhere, and an industry like a gas company, whose very existence depends on a grant from government, and whose first nourishment is the right to use the property of the community, the public streets.

In Baltimore, Maryland, the native city of the writer, there was for a time so-called competition in every public-service industry; the result was some temporary benefit, perhaps, in reduced rates or improved service; but in the end came consolidation, with a capitalization bearing interest on two franchises instead of one, and a not inequitable plea on the part of the combined company to the effect that "you, the people, have forced us to this condition of over-capitalization, and must help us bear the burden."

This has resulted in confusion worse confounded both to the corporations themselves and to the public mind, which has failed

to grasp the real nature of the problem. So-called competition in public-service industries is not competition at all,—it is war. The stronger company either buys out the weaker at once without further parley, or it divides the territory with the weaker, if the territory is big enough to divide, and agrees on rates; or it temporarily lowers the rates below the point of profit until the weaker succumbs. As a matter of fact, with the exception of the telephone service, industrial public-service war has had but one universal result, consolidation. Not a single instance to the contrary can be cited. The tendency to consolidation has become so strong that lighting companies furnishing different kinds of lights, like gas and electricity, are now combining, although they largely supply a different field and class of customers. No ingenuity of the most skilled lawyers can prevent consolidation. On the other hand, when a few consolidations here and there have been found illegal, a new method has always been invented to keep the separate interests together, or to reunite them in fact if not in name.

Granted that a public service must be a monopoly, the people will not long tolerate a monopoly in private hands. They will perhaps try regulation first; they will sooner or later insist that, if a monopoly, it must be a government monopoly, operated solely for the public benefit, instead of a private monopoly, operated primarily for the purpose of private gain, and only incidentally for the service of the people.

#### *Municipal Ownership Will Pay*

One item is almost universally neglected in considering the financial success or failure of city ownership, and that is the capitalized value of the right to do the particular service through the use of the public property in the streets. Let us assume, for illustration, two companies in cities of the same size with their two tramway services, or electric-lighting services, costing the same sum for instalment and with the same rates and an equally efficient management—two business enterprises, that is to say, earning exactly the same amount of money, and identical in their conditions, except that one is public and the other private.

Let us suppose that the value of the actual material property of each, bought and constructed, is \$50,000,000, and that the private concern pays interest and dividends on a capitalization of \$100,000,000, the other \$50,000,000 being the intangible value created by the permit held by the private concern from government to use its combined material properties in connection with the public streets for the required public service.

Thus we have the interest on \$50,000,000 saved for our equally efficient city service. That is the saving to the city, or the margin of efficiency, which our supposed public concern effects as compared with the equally well-managed private company. Now, in Baltimore, for instance, the attempted easement assessments, under a plan similar to the New York franchise-tax law, amounted to \$23,000,000, and they were moderate, because they did not attempt to reach all the intangible value, but only so much of it as came directly from the use of the city streets. Yet this is half the city debt; and, if the same ideal condition had existed in Baltimore as is supposed in our illustration, the effect of public management would have been like cutting the debt in two.

To return to our illustration. Fifty million dollars is paid by the first city to the private company for rendering a governmental function, whereas the other city saved that amount by performing that function itself; or, to state it in a different way, the public concern would have to be only half as efficient as the private company to produce the same result to the city.

It is absurd to attempt to settle finally the right or wrong of the policy of municipal ownership by reference to the results of any specific instance. just as it would be ridiculous to conclude that individual failures or successes in the banking business demonstrated the folly or wisdom of following that business as a calling. Yet Philadelphia, the stock example of the opponents of municipal ownership, is always so quoted, without regard to the question what Philadelphia gained in the increment of franchise value while it held on to its public service. Compare the advantages which Philadelphia gets out of its present lease of the gas-works with the condition of Baltimore with a company operating under a perpetual franchise. Now, Philadelphia's present advantage is due to the fact that, at the time of making the lease,

it had a large accrued franchise value to dispose of, and who can say offhand that its long-continued policy of holding on and operating was worse, on the score of past extravagance and debauchery, or better, on the score of present advantages derived incidentally from that very policy?

The writer believes it is a recognition of the value of the capitalized franchise that makes us hold on to the one public service that is generally municipalized, namely, our water-supplies. Logically, our reactionaries should advocate the turning over of our water-supplies to private enterprise. Why not, if municipal ownership is so bad?

Whatever the reason, we seem to have finally reached the conclusion to hold tight to what we have. For, even in the most reactionary communities, any proposition to give up a municipal water system to private management would be immediately laughed out of court. The veriest tryo can see that now he pays for water the actual cost, namely, the low rates of interest on city capital expended for plant *plus* the actual running expenses of the department, and that any balance goes to a lowering of his tax rate, while, were it farmed out, he would at once begin to pay in addition interest upon the watered flotation of a private company capitalized on its franchise value. Even if he thinks the private company could hire men for lower wages, save money on its supplies and in many other ways, he knows that the new item would largely exceed any such savings; and he also instinctively feels that, as that franchise value grows with increase of population, the capitalization on which he must give a fair return will grow with equal pace.

To show still further that we are conscious of this same idea concerning the franchise value to be given away, it is worthy of note that, in considering the establishment of some new service, such as a subway for underground wires, or a sewerage system, we invariably favor municipal ownership, entirely without respect to making it pay as a business proposition.

In the fight to put the wires underground in Baltimore, it was clearly recognized that the way to do so was by a municipal subway. And here the idea of municipal profit on the transaction was eliminated, the plan being simply to charge enough rental

to pay interest and sinking-fund, and thus give the use of the subways to the private companies for cost, simply and solely to get the streets clear of obstructions.

Not charging for the franchise value would probably be the result of the plan proposed as an alternative to municipal ownership and operation; that is, public ownership with private operation. This method would be much preferable to private ownership, because the franchise itself would be reserved, and some day might be utilized without extra cost by the city itself.

Again, in the matter of sewerage in Baltimore, only once was it seriously proposed to farm out the system to a private company. The proposition to grant a franchise was coupled with fair promises of the benevolence the company would show to the city —how it would relieve the city from an enormous municipal debt and charge fair and reasonable rates; but immediately, with loud and universal public condemnation, the proposal was buried out of sight. Its opponents called it a scheme for "graft," a "gigantic steal," etc. Why graft? Why a steal? What was there to steal except the franchise value, which, of course, would have been abundantly capitalized? A distinct popular recognition of the point I am trying to make.

The margin of efficiency saved by the reservation of the franchise value, coupled with the lower interest rate on municipal, as compared with private, loans (with the promoters' and bankers' commissions on the latter), must be more than used up by higher wages, political debauchery and extravagance before public operation can become more expensive than private ownership.

Besides, there is no inherent reason why the mob of voters should not obtain as good and successful management as the mob of stockholders.

Again, the increment of franchise value to come from future increase of population is going to be enormous. We all believe in great increases in population in the future in and about our great cities. The franchise or right to serve a city of a million souls will be worth more than twice as much as the franchise to serve half a million. If we buy now from the private owners, including present franchise value, we will save all future increment, with every prospect that the proportionate improvement in

the governmental service will be greater every year in the line of increased efficiency. The increase, up to the present time, in the value of public-service capitalizations, has been almost beyond the dreams of avarice. From the moment of municipalization, this will become the property of the people, and accrue to them as reduced rates, better service or lowered tax rates.

*Municipal Ownership is a Political Necessity.*

Public-utility corporations are the chief bulwark and support of the machine, and interest in the questions affecting vested privilege means for the individual showing such interest that he puts himself outside the party pale. Give the "boss" his franchises and the vested interests behind them, and you have the immense modern campaign fund which alone makes the machine possible.

What is the testimony of those who have had practical experience in this matter? Ask La Follette, ask Mark Fagan, ask Tom Johnson, ask Folk, ask Weaver, and they will answer, with one accord, that their breach with their party organizations came when they attempted to remedy some abuse which the masters of vested privilege, the franchise-holders, were committing, or to punish the perpetrators thereof. They will testify that it was not the free choice of subordinates, or the suppression of petty and minor graft, that aligned the party "boss" against them. These were sins, but forgivable sins. The one unpardonable sin was to touch with a fearless hand the public-service monopoly question, or to punish those who assist the machine in carrying out its alliance with business privilege.

No one now, conservative or radical, stands for unregulated monopoly, while all thinkers and writers on the subject recognize public services as necessary and natural monopolies; and it is generally admitted that existing political evils are primarily caused by the presence in politics of the public-service corporations, and this admission involves the recognition of the necessity for some remedy. Certain opponents of municipal ownership propose "regulation" and "punishment for the wrong-doer." Now, in the first place, "regulation" means what looks very like

a political impossibility. It means that the servant must regulate his master; that the party man, who has been elected as such, must put himself outside the breastworks of the organization by regulating the party's best and ever-faithful friend, the campaign contributor. This is not in human nature. This is why you will so often find the business man in office, honest as the day is long in his private business, but in office particularly careful to carry out his reforms in places where they do not conflict with big business privilege.

The advocates of regulation overlook one point, which, in my opinion, is vital. Regulation of rates or service is always resisted by the owners; and the advocate of regulation is compelled to put himself in constant antagonism with his business associates and social friends, who happen to be owners or managers of the particular service involved. To do this, to interfere with the business interests of those with whom one enjoys the most pleasant personal relations in one's daily walk, is a disagreeable and often dangerous thing for any man to do.

Yet the public official must needs do this, over a long and aggravating period of years, throughout his whole political existence, if he is to carry out a policy of regulation, or even attempt to compel the public-service corporations to obey their legal obligations. A battle for municipal ownership would be a comparatively short conflict, and there would be nothing to disturb personal relations, as soon as it became an accomplished fact.

This social and business association, combined with the fear of wrath to come in the shape of a contribution which will set their party machine against them, explains the failure of executive officers, otherwise honest and efficient, to take up, on their own initiative, cases of plain violation of public obligations on the part of these companies. This is what the organizations and the companies mean by a "safe" man. Every nomination for important office is scrutinized from their own point of view by the representatives of these vested interests. Fagan, La Follette, and Johnson are not considered "safe," because they have touched the vital pocket-nerve. To obtain their renominations, they have each been compelled to capture their party, over the heads of its old organization, and practically to construct a new party of their

own, and fight the combined power of the public-service corporations, which immediately rallied around the banner of the opposing party. The fact that they have succeeded shows that the people have learned to protect their government, and indicates strongly that they will be responsive to the necessities which municipal ownership brings of a more certain tenure of office in the public service and a greater governmental efficiency.

In every case where "regulation" has seriously been attempted, long and tedious litigation has been the result. Witness Roosevelt's Ford Law which, though passed in 1899, has never yet been enforced. Witness La Follette's rate legislation and Johnson's efforts for three-cent fares. If the litigation is successful, it involves the election of successive administrations, who are firm believers in the same policy, to keep the "regulation" going; and this, in turn, means a continuous political warfare, fraught with all these necessary antagonisms and involving a steady incentive to political corruption, without the definite results municipal ownership would secure.

Municipal ownership is only beginning to be tried in this country, although a start is being made in the electric-lighting service, some 800 plants, large and small, having been established, according to Mr. McCarthy, the legislative statistician of Wisconsin. But time enough has not rolled by to make history and show success or failure. Private ownership, on the other hand, has existed for a long time, and yet no important instance can be cited of successful "regulation" in any city. In the cities where it has been attempted, like Chicago, Cleveland, New York and Detroit, the sentiment for municipal ownership is strongest. It is not too much to say that, for political reasons, "regulation" either has not been attempted, or where attempted has failed.

If we are to measure efficiency by something more than dollars and cents, if elements like comfort and convenience and conscience and political freedom are to count for anything, we must by cooperation, through the medium of our city governments, furnish the people with those necessities which, from the nature of the situation, ordinary competitive business cannot furnish, and as to which they must either be protected by government or taxed to make a watered franchise pay.

These are real functions of government according to the true doctrine of "*laissez-faire*." The philosophers of that school did not hesitate to provide a police force to prevent private exploitation, to establish a tax-collecting department instead of farming out the taxing power. But we have handed over the public property in the streets to private corporations, and given them a power, monopolistic in its nature, to furnish public necessities; and within limits the owners have the power to charge or tax the people for this service.

We who believe in public ownership believe in radical reform as we believe in democracy. We want to make democracy free and able to handle the big propositions for popular benefit, as well as the small ones. We hold that, if we merely get good men in office who will look after and trample upon the small grafters, we accomplish something; but to give real justice to the people, we must stop the big leaks involving millions, as well as the small leaks involving hundreds and thousands. To fight the "boss" successfully, you must cut off his supplies, his campaign contributions. You must take away the special privilege of the man behind the "boss," the public-utility captain, and turn him from a natural enemy of government into an ordinary unprivileged citizen and the friend of progress.

**Annals of the American Academy.** 27: 37-65. January, 1906.  
Municipal Ownership and Operation of Street Railways in Germany. Leo S. Rowe.

Any attempt to determine the success or failure of municipal management of street railways in Germany must be based upon a comparison of public with private management. A careful review of the experience of German cities will show that private control has been singularly unprogressive. This has been due, in part at least, to the onerous conditions under which the original franchise grants were made. The companies did not feel justified in incurring the risks involved in making improvements on a large scale or in extending the service into the outlying districts of the city. Impressed with the lessons of this experience we find the more recent franchise grants specifying minutely the streets over which the service must be extended.

The relation between city and street railway corporations in Germany seems to be exactly the reverse of that in the United States. Here the companies are constantly seeking the right to extend their lines into new districts, whereas in Germany the municipal authorities are engaged in a constant struggle to secure from the companies an extension of the service. This difference in the attitude of the companies toward the extension of the service is due in part to the broader spirit of enterprise of American corporations, but the main reason is to be found in the fact that the German companies were aware that every new grant from the city would be accompanied by a demand for such a percentage of gross receipts as would considerably diminish their dividends. It is not surprising, therefore, that the German companies have shown a conservatism which is usually interpreted as lack of enterprise and inability to discount the future.

We have seen that the movement toward municipalization was largely determined by the antagonism between the cities and the street railway companies, growing out of the desire of the city to secure a more rapid extension of the service. If at the time they applied for the right to substitute electricity for horse power, the companies had more fully appreciated the value of the privilege, it is likely that they would have been more willing to accede to the wishes of the city authorities.

The process of municipalization was greatly facilitated by the fact that under the German law the accounts of public service corporations are subjected to careful public control. The amount expended by each company for the construction and equipment of the lines is easily ascertainable. Every dollar of capital represents actual investment. The total capitalization of the companies whose lines have been recently municipalized is as follows:

	Total capitalization	Length of line, including double track r'l'ys.	Capitalization per mile of road
Cologne Street Railway Co.....	\$1,368,625	50.5	\$27,101.48
Nurnberg Street Railway Co....	1,570,000	29	54,138.28
Munich .....	1,500,000	63	23,809.52

The net capital liabilities per mile of track of the electric surface railways of the United States is \$92,114. In the cities with a population of 500,000 and over, the net capitalization per mile of track reaches the enormous sum of \$182,775. In New York City the capitalization per mile of track is \$259,542; in Chicago, \$109,537; in Philadelphia, \$165,085; in St. Louis, \$198,647; in Boston, \$97,353; in Washington, \$186,416; in Pittsburgh, \$185,170, and in San Francisco, \$140,985.

The influence of this wide difference in capitalization on the expense account of street railway lines under American and European conditions is readily apparent. The percentage of total income expended by American companies for interest and liquidation charges and for the payment of guaranteed dividends to subsidiary companies is considerably larger than those of the German companies. The following table presents some data relating to Frankfort, Cologne and Munich. Accurate figures for the larger American companies are not obtainable:

	Interest and liqui- dation charges.	Percentage of total expenditure.
Frankfort .....	\$112,063.04	10.6
Cologne .....	204,000.00	17.0
Nurnberg.....	138,063.00	28.7

Any attempt to review the results of municipal ownership would be incomplete without some reference to the effect on the civic life of the communities under consideration. The introduction of electricity as a motive power greatly increased the possibilities of profit, and led the companies to exert the strongest possible pressure to secure a renewal of their franchises combined with the right to use electrical power. In the struggle to secure these new rights one can detect the first traces of the insidious forms of corruption which have done so much to undermine the civic life of American communities. In a number of instances, members of the council were retained as attorneys for street railway companies, and in one case an influential member of the "Magistrat" of one of the larger cities was made a director of a

street railway company at a time when the company was seeking important privileges.

On the other hand, in those cities which have municipalized their street railway system, there is no indication of corruption traceable to the large increase in the number of city employees. The civil service system is so highly organized that the danger of political influence is reduced to a minimum.

Viewing the situation broadly, it may fairly be said that the municipalization of the street railways has protected these cities from the dangers involved in the desire of private corporations to secure control of local administration for the purpose of securing special privileges. In 1890 but a few of the companies were declaring large dividends. In fact, the large return which they were compelled to make for the franchises under which they were operating grants made it necessary to exercise the greatest economy in order to make a fair profit on the capital actually invested. The new franchises, in offering to the companies far larger possibilities of profit, correspondingly increased the temptation to secure control of local policy. It is too early to predict whether the cities in which the street railways are still in the hands of private companies will be able to withstand the temptations which now beset them.

Are these lessons of German experience of any real value to our American municipalities? The answer to this question is a matter of far more than theoretical importance. Partly because of the feeling of irritation aroused by the corrupting influence of public service corporations on the civic life of American communities, but mainly owing to a general awakening to the possibilities of improved service in urban transportation and in gas and electric light service, the public mind is anxiously turning to municipal ownership and operation as a possible solution. In fact, indications are not lacking that we are drifting toward a fetishism of municipal operation which is likely to work great harm. One of the safeguards against this danger will be a proper estimate of the value of foreign experience.

The success of municipal operation in Germany means that the people are enjoying better service than under private management. The causes of the failure of private operation to meet

modern requirements are readily ascertainable, and as we have seen these causes do not exist in the United States. In other words, the conditions for successful private management are far more favorable in the United States than in Germany.

Furthermore, as regards urban transportation, the requirements of public opinion as to the standard of service are immeasurably higher in the United States than in Germany. Notwithstanding our prodigality of public franchises, the American public has always set a relatively high standard as regards the character of the transportation service. We have been willing to pay a high, at times an exorbitant price, but there has been a corresponding demand for good service. No American community of any size would to-day tolerate the conditions of urban transit that obtain in most German municipalities. The present unrest of American public opinion is due to the fact that the requirements as to the standard of service are being raised with such rapidity that the over-capitalized corporations are unable to maintain the pace to which they have been forced during recent years.

Although the arguments in favor of municipal operation are being grouped about the possibility of large financial returns to the city treasury, it is not likely that this argument will stir the American people to any drastic measures. To secure united action, appeal must be made to the desire for improved service. The fact that municipal operation has given improved service in Germany does not necessarily mean that it will produce the same results in the United States. Whatever may be said against American street railway corporations, no one will deny that they have given far better service than the German companies. It is true that they have been given greater freedom in the development of the service and that the public demands, especially as regards rapidity of service, have been considerably higher than in Germany. Be this as it may, it is important to bear in mind that municipal operation in the United States would have to bear comparison with a higher standard of service than in Germany. Any attempt to apply the lessons of German experience which does not keep these differences in mind, is certain to be misleading rather than helpful.

**Outlook.** 80: 431-5. June 17, 1905.

Municipal Ownership of Street Railways in Glasgow.

Robert Donald.

Glasgow, the commercial metropolis of Scotland, was the first city to adopt municipal ownership of street railways on a large scale and to carry it to a logical conclusion by operating as well as owning its roads. The success of this pioneer enterprise has stimulated progress all over the world. It is not surprising that Chicago should seek the advice of Mr. Dalrymple, the manager of the Glasgow Tramways, when about to make the first experiment in the municipal ownership of street railways in America. The chief officers of the Glasgow Tramways have been frequently called in to advise other municipalities, and have been tempted away to occupy other positions. When Mr. Yerkes wanted a man to direct his vast railroad enterprises in London—electric suburban roads and deep-level subways—to remodel an old system and inaugurate a new one, he found him in Mr. John Young, the organizer and first manager of the Glasgow Tramways. No better testimonial to the efficiency of municipal ownership could be found than this appointment. Glasgow has been a training-ground for street railway administrators, as its former officers are managing tramway systems in Leeds, Madrid, and other cities.

The ownership of tramways in Glasgow was the necessary outcome of the city's municipal policy. The city has always held a leading position for the extent of its municipal institutions as well as for efficiency of management. From the romantic Lake Katrine in the Trossachs, associated with memories of Scott's masterpieces, the city draws its municipal water supply. Since 1869 it has owned its gas-works, and lowered the price until now it is fifty-three cents per thousand cubic feet. Its municipal electricity is also supplied at the extremely low rate of five and one-half cents per kilowatt hour. Private slaughter-houses were abolished in the middle of the last century, and three municipal establishments serve the city. All the markets are municipal possessions. Forty years ago the center of Glasgow was congested

and overcrowded. Dens of rookeries were packed round narrow courts. They were nurseries of crime breeding-grounds of disease. A radical remedy was adopted. Nearly a hundred acres of slumland, with a population of 51,000, were bought by the city, which carried out a bold reconstruction and rehousing scheme. Over \$12,000,000 has been expended in the improvement scheme. The municipality has built thirty new streets, widened as many more, and provided new tenements and lodging-houses for the displaced population. It burdened itself with a heavy annual charge to start with in support of the improvement; but the scheme, instead of now being a burden, has become a financial as well as a social benefit to the community. It was the persistency of Glasgow that broke down the private telephone monopoly in Great Britain, encouraged other municipalities to establish their own system, and has now led to the complete nationalization of the whole service.

Among the other municipal possessions of Glasgow may be mentioned a series of hospitals, homes for inebriates, art galleries, museums, numerous parks, libraries, baths, winter gardens, botanic gardens, public schools, art schools, technical institutes, free concerts, pleasure grounds, facilities for golf and other games, gymnasia and playgrounds for children, etc. Its solicitude for the poor has induced it to establish a family home for children of widows and widowers, and depots for the supply of sterilized milk to poor children. It was due to civic enterprise that the Clyde was converted into a navigable river and Glasgow made one of the leading ports in the world.

Connected with Glasgow's greater municipal organizations are many subsidiary developments of special interest. The Cleansing Department, for instance, which deals with city refuse, has developed large estates, maintains farms, and works stone quarries, from which the municipality obtains part of its supply for street paving. The Water Department supplies hydraulic power. In fact, Glasgow municipality looks after the welfare of its citizens on a most comprehensive scale, by providing them with all common services of public utility—with one exception. Having done so much to promote the health and welfare of the community, it has not considered it necessary to make provision for the disposal

of the dead, by municipalizing the cemeteries. All its numerous services, institutions, works, municipal industries, are carried on, not for the purpose of accumulating large profits to be transferred to accounts for the relief of local taxation, but on the principle of supplying the cheapest and best services, so as to spread the benefits over the greatest number of the citizens. The dividends which the city reaps are in the form of civic betterment, lower death rate, and improvement in social conditions. Its progress in civic affairs has never been tarnished by the taint of politics. The ward "boss" is unknown. Citizens' committees take his place. Civic patriotism runs strong, and the differences among the members of the City Council are not so much on the principles of progress as on the pace at which they should go forward.

Bearing in mind the history of Glasgow, its experience in municipal administration, it was the most natural thing in the world that, given the opportunity, it should municipalize its tramways; and it would have been going back on its record if it had not made the system a success. Like most British cities outside London, Glasgow had always municipal ownership of its tramways. Several years after tramways were introduced into American cities, experimental lines were tried in England. Parliament scented the nucleus of a new monopoly. Cities feared that they would lose control of their streets; so a law was passed, though not until 1871, laying down the principles of municipal ownership, with short franchises—an undesirable condition, as time showed. The cities could build the roads and grant franchises to companies for twenty-one years, or could leave the companies the right to build, with or without conditions. In either case, the tenure of the private corporations expired automatically after the lapse of twenty-one years from the opening of the track. At that time the House of Commons foresaw the possibility of municipal operation, but was fearful of the result, and passed a Standing Order, to prevent it. The city which owned the roads was under no obligation to buy the operating company's rolling stock, depots, etc., but the city which did not begin with municipal ownership was called upon to buy the company's undertaking at its "then value;" that is, after twenty-one years' use, making allow-

ance for depreciation but none for compensation in respect of good will and future profits. Both methods undoubtedly retarded progress. When the franchise period was drawing to a close, there was no desire for improvement, no attempt to introduce electric traction; roads were not extended; rolling stock was allowed to become dilapidated as well as obsolete.

The legislative barrier to prevent municipal operation was not disposed of until 1896. Several towns, notably Huddersfield and Plymouth, had before that date operated lines only on sufferance, because no company had made a reasonable offer. Glasgow discovered that, in taking over the powers which established the company, it had also taken the right to work the tramways, so that it was outside the scope of the Parliamentary prohibition.

It had given a company the franchise for twenty-three years—two years beyond the minimum period—on the following conditions:

1. The company paid all promoting expenses and interest on the money which the city borrowed in making the roads.
2. It paid into a redemption fund three per cent. on the capital expenditure.
3. It paid four per cent. on the cost of construction to form a fund for renewals carried out by itself under supervision of the municipality.
4. It paid \$750 per mile for the use of the streets.

These were stringent conditions, but they did not prevent the tramway company from paying fair dividends, and they enabled the city to pay back the whole of the capital expenditure when the franchise expired, and to receive in the form of mileage dues \$378,120.

The franchise expired in June, 1894. The situation was similar to the position in Chicago. War was declared between the company interests and the municipality. Municipal elections were fought on the future of the tramways. A spontaneous outburst of civic enthusiasm led to a citizens' victory; municipal ownership was adopted. Defeated in the election field, the company interests then declined to sell their worn-out cars, their old horses, and their depots at a reasonable price. The city's reply was to build new depots, buy new cars, engage and train a new staff.

Without the use of the track it could not adopt electricity, but had to begin with horse traction. There was a dramatic change. At midnight the company's cars disappeared from the streets; a few hours later the municipal cars were running. The success was immediate and has been permanent.

It will be interesting to state the effect of municipal ownership, and to explain the policy which guided the City Council. The company—as all private enterprise must do—kept mainly in view immediate profits. Like most British companies, it pursued a narrow policy. The keynote of the municipal system was service, giving the best possible to the citizens. The municipality operated the roads in the interest of all. It greatly lowered the fares, banished all advertisements from the cars, made the names of the routes and destinations conspicuous, opened up new routes and linked up new districts. It also considered its employees. Without a contented staff there cannot be a perfect service. So the drivers and conductors were dressed in new uniforms, their wages were increased, their hours reduced. The citizens had the feeling of personal possession when they patronized the cars, which display the city's arms and its motto—"Let Glasgow Flourish." Civic patriotism asserted itself later on, when the displaced franchise-holders started a competing service of omnibuses, which failed to get support and soon disappeared.

The City Corporation had no sooner completed its horse-car service than it set about investigating electric traction. It sent delegations to America and to Continental Europe. To the disappointment of many, it adopted the overhead instead of the underground trolley.

In reconstructing its system, the City Corporation adopted the system carried out in other departments. It dispensed with contractors as much as possible. It built the new depots and the electricity-generating station, laid down the extensions, and, after the first set of cars, built all others in the department's workshops. The Glasgow tramways extend beyond the city boundaries by agreement with suburban municipalities, and serve a population of a million. Since the tramways were municipalized, the roads have increased from sixty-four to one hundred and fifty miles. This extent of road is small in comparison with the Chi-

cago street railways, or of the systems in less populous American cities. The area of Glasgow is small—12,688 acres—for a city of its population, 790,000. Many streets are too narrow for tramways. Suburban districts still maintain a lingering but dying prejudice against the democratic street-car. Glasgow is a busy center for a British city, but its bustle cannot be compared with the feverish activity of Chicago. There is far greater mobility among the people in American than in British cities.

There are interesting differences in the methods of operating the car service. There are no transfers in Glasgow, as in American and Continental cities. The city is divided into routes, and fares are regulated according to distance. The policy is to carry the greatest possible number of people at the lowest possible rate, and to make every route independent and self-supporting, except in the case of new roads which are being developed. British people have not yet acquired the traveling habit to the same extent as Americans. A larger number of people want to travel a mile than to go five miles; but, unless the fares were low for short distances, British people would not take the cars.

The fares in Glasgow are one cent for a stage of a little over half a mile, and over 30 per cent. of the passengers travel this short distance, and bring in nearly 17 per cent. of the receipts. For an average of two and a third miles the fares are two cents, and close on 61 per cent. of the passengers travel this distance and contribute 66½ per cent. of the receipts, so that 91 per cent. of the total number carried pay two-cent or one-cent fares. Only 6.31 per cent. travel for three cents, bringing 10.38 per cent. of the receipts; 1.62 pay four cents, and bring 3.54 per cent. of the receipts. Less than one per cent. of the 189,000,000 passengers last year paid five cents or more. It is obvious that the long-distance passengers contribute an undue share of the profits, while in American cities the policy is to overcharge the short-distance traveler.

Glasgow tramways differ in other respects from the American cars. The conductor, instead of ringing up the fare, gives passengers tickets which they punch, and the discs punched out of the tickets are the means of checking the receipts. Then the cars are double-deckers. Leaving out of account overcrowding, which

is not permitted in Glasgow, the double-decker will carry nearly double the number of passengers of the ordinary American car. Stoppages are more frequent, however, and fares are more difficult to collect. There are regular stopping places, about the width of a block apart, for taking up and setting down passengers.

The Glasgow tramways are managed by a Committee of the City Corporation, which holds frequent meetings and reports regularly to the City Council. It consists of twenty-eight members, who appoint sub-committees for supervising different departments. It obtains the sanction of the Council for its actions. The Council might be regarded as the legislative authority, and the Committee as the executive.

From a financial point of view the Glasgow undertaking has been remarkably successful. A cautious policy has been adopted. As I have pointed out, the original capital for constructing the roads was paid off when the municipality obtained possession. More capital was borrowed, on the credit of the city, to start the horse traction system, and the city has been continually borrowing to meet additional capital expenditure, until the capital now stands at over \$12,000,000. The Council pays a little over three per cent. interest on the capital, which is borrowed for a period of thirty years. It has adopted the policy of practically renewing the permanent way out of revenue, depreciating heavily, and building up revenues in order to keep down capital expenditure. Unlike other British cities, Glasgow does not use its surplus profits for the relief of local taxation. It pays a mileage rate on the same basis as the old company did into what is known as the Common Good Fund of the City—a general fund which can be applied to any purpose for increasing the amenities of the city and the welfare of the people. This mileage rate amounts to \$125,000 a year. The result of pursuing this cautious policy as to capital expenditure, and carrying out repairs and renewals from revenue, was that, by the time the whole system was converted to electric traction, the whole capital incurred four or five years previously for equipping the horse system had been entirely extinguished.

Last year's accounts indicate the healthy financial condition of the tramways. The total receipts, for instance, amounted to

£724,857 (\$3,624,255), the operating expenses to £356,820 (\$1,684,100)—49 per cent. of the revenue. The net receipts showed a gross return on the capital outlay of 17.46 per cent. The interest and franchise charges to other municipalities amounted to £64,376 (\$321,880). The payment into a sinking fund for redemption of capital at the rate of two per cent. was £45,553 (\$227,765). There still remained the huge surplus of £258,102 (\$1,290,510), which was allocated to depreciation and reserve fund, and the payment of \$125,000 in mileage dues to the Common Good Fund. The ordinary depreciation on equipment, power stations, cars, etc., amounted to \$393,095. There was a special depreciation for cables, overhead wires, buildings, etc., of \$310,000. There was carried to a general reserve fund \$93,950, and to a permanent way renewal fund \$300,135. This fund now stands at \$965,025. The tramways undertaking makes the same contribution to local taxation as if it were under private enterprise. The amount which it paid in taxes in the last financial year was \$174,580. The accounts of the department are examined and audited by independent professional accountants. The accounts are published with elaborate detail, showing the smallest item of expenditure worked out to percentages and comparisons with previous years.

The Tramway Department, as I have indicated, generates its own electric power, the total cost of which is less than one cent per kilowatt hour.

The Tramways Committee delegates considerable power to its general manager, who is responsible for the staff who form part of the permanent civil service in the city. Politics does not influence appointments, and promotion is by merit.

In conclusion, I would like to point out that the Glasgow tramways system has not by any means reached its high-water mark of efficiency. With its cautious financial policy, the Tramways Department could in a few years accumulate reserves which would enable it to introduce the underground trolley without adding greatly to its capital, and further swell its earning powers. With liberal depreciation and reserve funds to meet renewals and obsolescence, with a redemption fund which liquidates the original capital of the undertaking in thirty years, which is at the

same time maintained in an efficient condition out of revenue, the City Corporation is more than doing its duty to the next generation. Lower fares for long distances should be easily possible in the near future, and there is a prospect that the average fare will come down to one cent. A universal one-cent fare irrespective of distance could then be adopted.

**City Hall. 2: 225-7. January, 1910.**

Argument for the Municipal Ownership of a Street Railway Company.

Nearly all the arguments commonly advanced by persons urging the operation of street railway companies by the municipal government are contained in the minority report of a sub-committee of a citizens' committee of Detroit, Mich., filed in December. Detroit being a typical American city, the application of the ideas of the municipal ownership enthusiasts in this instance is of great interest to all those who are impartially studying the question, and THE CITY HALL prints the report practically in full, following the outline chosen by the sub-committee:

1. Is municipal ownership financially practicable?
2. Can it be made economically possible?
3. Is it morally right?
4. Can it free us from political corruption?
5. Is it the best as well as the only reasonable and feasible plan?

*Is it Financially Practicable?*

"Our investigation shows that a municipally owned and operated street railway system cannot financially fail in this city for the reason that it will always be within the power of the city to make the expenses of transportation cover the cost of operation, just as we do now with our water works and other municipal institutions. Just what the cost per passenger would actually be it has not been possible for us to exactly figure out. But this is plain: with municipally owned lines, based upon the actual cost of construction and operation, we can greatly reduce the present

rate of fare. This is self-evident when we consider the conditions of the old company and their expenses. It is burdened with a debt much greater than the actual valuation of the property. If we consult the company's own reports, we can see what an enormous reduction could be made in the way of reduced fares if the lines were owned and operated by the municipality.

"The Detroit United Railway, in its report to the American Street Railway Investment for the year ending December 31, 1908, states that it operated in the city of Detroit, during that year, 23,977,814 car miles, that its earnings per car mile for each mile operated were 23.05, or a fraction over 23 cents per mile. It states that its net earnings, after paying taxes and all legitimate operating expenses, were 8.53, or a fraction over 8½ cents on each and every car-mile so operated. This, taking its own figures, left it a net profit, after paying all legitimate operating expenses and taxes, over the sum of \$2,045,000. This gives us some idea as to what can be done in the way of lowering the fares if the system is operated by the municipality in the interest of the people.

"The money to finance such a proposition can easily be raised. Controller Doremus proved this only a few evenings ago in a public address. If you were to grant the present company a franchise for 30 years, based upon 6 or 7 tickets for a quarter, the directors would go into the money market and borrow millions with nothing back of it but the franchise. Has not the city this same opportunity? We not alone have the franchise, but we have the property on which to issue these bonds. The bonds will always be secure. Money can be borrowed by the city at a lower rate than by the D. U. R. There will never be any danger of a foreclosure, for the city has within itself the power to regulate the fares to meet the liabilities that may from time to time occur. Therefore, there can be no more chance of the system failing under municipal ownership and operation than there is for the city of Detroit to disband its municipal organization.

#### *Can It be Made Economically Possible?*

"To say that a municipality cannot operate its street railway as economically as a private company is to declare the judgment of

the 400,000 people of Detroit unequal to the wisdom and judgment of the 6 or 7 foreign directors of a private company. Can not the city hire men of brains? Can it not hire the same experts and the same men with equal skill to operate the cars that the present company employs? Most assuredly it can, and it will. There is no great mystery or hidden secret about the successful operation of a street railway. There are not even the complications to contend with that surround the average business concern. The street railway does a cash business. It receives its money in advance. In this way it has the advantage even over our other public utilities. The expenses per car mile are easily figured, and the rate or rates of fare to make it successful are also easily established.

"Great Britain alone has close to 2,000 municipal undertakings. The incomes from these enterprises total each year in round numbers, \$150,000,000, and, as stated by Prof. Frederic C. Howe, who made a critical examination of the conditions of these enterprises for the National Bureau of Commerce and Labor at Washington, it is equivalent to 23½ per cent of the total revenues collected from all sources in England and Wales, and to 39 per cent of the total revenues of Scotland.

"One hundred and forty-two of these municipal undertakings are street railway systems, and Mr. Howe adds that the gross profits to the municipalities from this source is close to \$10,000,000 a year, besides a generous amount paid in taxes. The capital used in the street railway enterprises is about \$200,000,000, all raised on the faith of the public in these undertakings, and there has yet to be an instance in which those loaning money to municipalities for this purpose have lost a single cent. Many of these enterprises are not run to make money, however; they are run to give the cities service at cost, or as near cost as is safe.

### *Is It Morally Right?*

"There are some who contend that it is not morally right for the city to enter into a business that can be conducted by private individuals. It is always morally right to protect our interests, either individually or collectively. It is not only a moral right to protect ourselves from monopolies, but it is a legal right, and

therefore becomes a personal duty. As to the operation of street railways in a municipality, it is not a competitive industry. The history of the entire world demonstrates this fact. It is yet fresh within our memory how ex-Mayor Pingree encouraged the Detroit Electric Railway, known as the three-cent line, with the understanding that it would be a competitor, competing with the other roads within the city; but how long did that competition last? A consolidation soon took place, and the roads were owned and operated by one company and it has held an absolute monopoly over the city. Thus the question naturally comes as to whether it is morally right to protect ourselves against this condition, and the effect of this combination upon our civic life. The fundamental test of any institution, method or service must be its effect upon the public good, its relation to morals, manhood, government, civilization and progress, as well as its financial side. In applying the vital test, the principal emphasis must not be placed alone upon the financial results, but the human results must be considered as well. The character products and the social products of our institutions are of as great, if not greater, moment than the money products.

"There is too much interest, too much affecting society and its future welfare to trust and place these street railroads again in the hands of private parties, whose only object and aim is to secure the almighty dollar. In order to establish the proper standard of morality in civic life it is necessary that the municipality own and operate its own street railways, give service at cost, and eliminate the element of allowing a private company to do the public's business for profit.

#### *Can It be Free From Political Corruption?*

"In considering the political question as it affects this problem, let us be absolutely honest and sincere. Is it not bad politics to urge us to commit municipal functions to private control? Is there not ten times more bad politics in private than there is in municipal control? There is less opportunity for bad politics in municipal control than there is in private control. There is less incentive for the city to employ those of bad politics than there is for a corporation to employ those of bad politics. Where have bad

politics been discovered? Who have been responsible for its employment? Where bribery and treachery in municipal affairs have come to light, who have been the guilty ones? Were they among those endeavoring to retain to their municipalities their full functions and rights, or were they those who resisted and sought to defeat municipal ownership and the city's rights? An honest answer to each of these questions is in favor of the municipal ownership of public utilities. Once these utilities are municipalized and in the hands of the people, the cause for bribery and political corruption will disappear. An investigation of the institutions even of our own city that are now in the hands of the municipality shows that the political corruption surrounding these institutions has been lessened—yes, almost destroyed.

*Is It the Best as Well as the Only Feasible Way?*

"Let the municipality arrange so that the people can elect or select an honest commission of five members free from any partisan or political interference. Let the commission be the choice of the citizens of this city, and place in their hands the complete management and direction of the street railways. Pay each member an adequate salary, and let each be subject to recall by popular election on petition of 25 per cent of the electorates. There is no question but what you will then see graft absolutely removed and the city free from much of the corruption that has come from these sources of corruption and that have menaced our civic life in the past.

"To establish the conditions for which we were told this committee was appointed, municipal ownership is the only way in which it can be done. The history of private corporations the world over has but one page. They are operated in the financial interest of the few, with little consideration for the people, either for those who are patrons or for those who operate the cars and do the work. Their private interests are paramount and must be first served. Investigation throughout all the world shows that the municipalities everywhere are taking over these institutions. Water works were first taken over because water is closely related to the health of the community. Then came gas and electricity. Next comes the operation of street railways, and

wherever they have been taken over, they have been a success, all things considered. The results have been higher wages and shorter hours to the employes, and better service and lower rates of fare to the people. There is no question but what municipal operation of street cars is the best and most feasible way offering itself to Detroit at this time.

"Nor is there any menace to the community in increasing the number of city's servants through the operation of profitable enterprises. Detroit today has between 3,500 and 5,000 employes, and the number can easily be increased by 2,500 to 3,000 without any danger. Glasgow has 15,000 city employes, or 10 per cent of its voting population. Altogether British cities employ between 150,000 and 200,000 men. Yet in no instance is it claimed that this political power is manipulated in favor of any political organization. But when public service corporations are privately owned, the contrary is the fact. Pressure is always brought to bear on employes of private corporations doing public business to vote as their employers desire them to, regardless of their own personal preferences, or of the effect it may have on public interests.

*Recommendations to the Common Council.*

"We therefore recommend to the common council:

"First. That they grant no more franchises for the purpose of operating privately owned street railways to any person, corporation or company.

"Second. That the council make arrangements to at once inaugurate and establish a thorough system of municipality owned street railways covering the entire city.

"In order to establish and properly operate such a system, we recommend that they first arrange and have elected by a special election a non-partisan commission who shall have the direction and control of the inaugurating and the operation of the municipally owned street railways. We advise that in establishing the roads they first take over such streets and lines on which the present franchises have expired, and that then the commission shall make arrangements for the purchase from the old companies, at actual physical value, such lines as these companies

still retain the franchises on, providing the company will dispose of them to the municipality at actual physical value.

"In case of refusal, the commission shall proceed to establish lines that will give the people a complete service, and, if necessary, parallel such lines as have franchises, or by placing temporary tracks in and upon the same streets if necessary, until the entire city is completely covered by such municipally owned and operated street car system.

"To adopt any other method than municipal ownership to settle for once and all the problem of street car transportation at cost, is to continue the friction and wrangling between the city and the corporation during the life of any franchise that may be given. A municipality of 400,000 people never yet had the wisdom to legislate most wisely for a municipality which will soon have a population of a million. Human intelligence is too finite to know what will be the cost of transportation when a few more miles of trackage is going to accommodate twice the present traffic, with only a small percentage increase in the cost of doing the service.

"To the time-tried axiom of a 'corporation has no soul,' and particularly a corporation with a franchise from a populous city, may be added another, 'Privilege knows no honor.' A corporation with a franchise can invent a hundred ways to squeeze profits from the public through unsatisfactory and inadequate service, low wages and long hours for employes and high fares. No great city will seriously blunder so long as it keeps control of all its public utilities. And only in this way can cost and service be harmonized."

**North American Review. 172: 445-55. March, 1901.**

Municipal Ownership of Natural Monopolies. Richard T. Ely.

The question under discussion relates to the ownership and management of those local businesses which furnish what are called public utilities. The principal classes of these public utilities are water, light and transportation. They are called monopolies because, as we know from experience, we cannot have in their case effective and permanent competition.

It is often said that we do not want to decide the question of municipal ownership in accordance with general principles, but that each case should be decided as it arises. If New York City desires public ownership of water-works, it is urged, let New York City by all means try the experiment. But let New Haven, if the people of that city so desire, continue private ownership of water-works. Still others say, let us adhere to private ownership until we find that we have made a serious mistake in so doing. Both these attitudes imply the renunciation of science, or a denial of the possibility of a scientific solution of the problem. Imagine such an attitude in engineering as applied, let us say, to bridge-building. The result would surely be disaster. The outcome of this attitude in what we may call applied economics or social engineering has likewise been disastrous. Mistakes have been made which it has not been possible to correct, or which have been corrected with great loss. The private ownership of water-works in London, which still persists, although recognized to be an evil many years ago, affords an illustration. If at length this evil is corrected, it will cost the taxpayers many millions of dollars which might have been saved. Innumerable illustrations could be afforded, did space permit. What must be desired by any one who has an appreciation of the nature of modern science, is the establishment of general principles whereby mistakes may be avoided and loss prevented. The practical man will naturally take into account the actual, concrete condition in his application of general principles. The social engineer must, in this particular, follow the practice of the mechanical engineer.

When we approach the question of public ownership *versus* private ownership of such great industries as those connected with artificial light and transportation, our attention is attracted by the municipal corruption which exists, particularly in our own country. The fact of this municipal corruption, and also the further fact of the very general incompetency in the management of municipal affairs, are not called in question, and they are not under discussion. The corruption and incompetency may not everywhere be so bad as many pessimists imagine, and it may, furthermore, be true that, in both respects, we have in many cities witnessed gratifying improvement. Yet, when we have

made these admissions, the true state of the case is bad enough. The civic conscience with us is slow of development. The satisfactory performance of public duties implies, in some particulars, a higher civilization than we have reached. It requires some development of the imagination to see the harm and suffering brought to countless individuals by lapses in civic virtue. Furthermore, it implies a higher development of conscience than that found in primitive man, to reach that state in which there is a conscious desire to abstain from all acts which may hurt people who are not seen. Many a man will give to a poor widow, whom he sees, money to relieve her distress, but, at the same time, will not hesitate to increase the burdens of poor widows whom he does not see, by fraudulent evasion of taxation.

The sort of men now in our municipal councils are not the kind of men to whom we would gladly turn over vast business interests. The very thought repels us. Whether or not they are morally better or worse than the men who in many cases are said to corrupt them, and who now exercise an important influence in the management of privately owned public utilities, it is freely conceded that they are less fit for the conduct of important businesses. We want street railways managed by men who understand the street-railway business, gas-works managed by men who understand the gas business, and neither class of enterprises managed by men whose gifts are most conspicuous in the partisan manipulation of ward politics. It is important that it should be understood that the advocates of municipal ownership do not call in question the fact of municipal corruption and inefficiency in the management of public business, and that they have no desire to turn over the management of public utilities to a class of men who must still be considered typical in the municipal council of the great American city.

But when we have admitted freely corruption and inefficiency in municipal government, it still remains to examine into the causes of these conditions, for there is a very widespread suspicion that a large share of the responsibility therefor must be laid at the door of private ownership. A real, vital question is this: would we have the same class of men in our common councils which we now find there, should public ownership replace private

ownership? Is it true that private ownership places in office and keeps in office some of our worst municipal wrong-doers? It is important that the reader should understand the real nature of the problem under discussion, and it is believed that these questions which have just been asked bring before us a large part of that problem. This important problem, the solution of which is of national significance, should be approached with no partisan bias, and no angry recriminations or denunciations should be tolerated. The spirit of the injunction, "Come, let us reason together," should be the spirit of approach.

We must clearly and sharply fasten in our minds the indisputable fact that, with respect to public utilities of the sort under discussion, we are confined to one of two alternatives. These alternatives are public control of private corporations, and public ownership with the public control which naturally springs from ownership. The experience of the entire civilized world has established the fact that we are restricted to these alternatives. We may have private street-railways, private gas-works, private water-works, etc., but in that case it is invariably and in the very nature of the case necessary to exercise public control over their operations. Charges must be regulated, general conditions of service must be prescribed, and regulation must be found for a thousand and one cases in which public and private interests touch each other. This is because, on the one hand, the nature of the service rendered is in such a peculiar degree a public service, and also because the effective control of full and free competition is absent. We may, on the other hand, choose public ownership and management. We could, of course, separate public ownership from public management, and consider each one. In other words, we could have a publicly owned urban transportation system with private operation. Generally, public ownership and public management go together, and in the limited space at our disposal we will not undertake to separate them.

It is freely granted that either one of our two alternatives presents immense difficulties. This is a further point concerning which there can be no controversy among those who really understand the nature of the case. The evolution of industrial society has again brought us problems most difficult of solution. If we

may use the language of design, history teaches us that Providence does not intend that men organized in society should have what we are always looking for in the future, namely, an easy-going time. Every age has its problems. In one age they may be brought by the inroads of barbarians, in another age by famine and pestilence, in another age by international wars. We have been dreaming of a coming time when no social problems should vex society; but, if history teaches us anything, it shows us that in such dreaming we are indulging in Utopian aspirations. Every civilization has been tested heretofore, and every civilization must have its test in the future, our own included. One of the tests of our civilization is the ability to solve the problem under discussion.

The question which confronts us is this: Which one of the two alternatives promises in the long run the best results?

Those who talk glibly about public control of those private corporations owning and operating public utilities frequently exhibit a sad ignorance of what their proposed remedy for existing evils means. They think in generalities, and do not reflect upon what control means in details. We have to observe, first of all, that public control of private corporations furnishing public utilities so-called means a necessary antagonism of interests in the civic household. Human nature is such that those who are to be controlled cannot be satisfied with the control exercised. However righteous the control may be, those who are controlled will frequently feel themselves aggrieved and wronged, and will try to escape the control. It is, furthermore, a necessary outcome of human nature that those persons who are to be controlled should enter politics in order that they may either escape the control, or shape it to their own ends. Again, we must remember what vast aggregations of men and capital it is proposed to control. The men owning and operating the corporations which furnish public utilities are numerous, and they maintain large armies of employees of all social grades, from the gifted and highly trained attorney to the unskilled laborer. The amount of capital involved in a great city is counted by tens of millions. The very nature of the case brings it about that there should be persistent, never-ceasing activity on the part of those to be controlled. The effort to escape from this control, or to shade it, is a part of the efforts

by which men earn their livelihood, and their activity is as regular as their hunger. The efforts of patriotic and high-minded citizens, in their self-sacrificing neglect of their private affairs to look after public concerns, may grow weary, but not so the activity of the corporations to be controlled. Can a task of greater difficulty be well suggested? It is not said that the problem here presented is one which it is impossible for modern civilization to solve; but it is well that the general public should know precisely what it means. Some of us are to control others of us, and to do so against their will. But who are those whom we are asked to control? They are very frequently our friends and neighbors. I am asked to resist what is esteemed the extortion of a gas company; but one of the gas magnates may be my neighbor and friend, and occupy a pew next to mine in church. Perhaps the gas magnate is my employer. Perhaps he has just contributed, and with the best intent in the world, one hundred dollars to an object which I have greatly at heart. Perhaps I am a college professor, and the street-car magnate whose rapacity I am called upon to help hold in check has endowed the chair which I occupy. Imaginary illustrations can be continued indefinitely, and those who desire to do so can in any city make them sufficiently concrete. Is it strange that many of us who are called upon to control others of us should simply refuse to do it?

In so brief an article as this must be, it is possible to do little more than to throw out suggestions. It is noteworthy that in Massachusetts public control of corporations furnishing public utilities has been tried more persistently than anywhere else, and that in that State there is a stronger sentiment than anywhere else in the Union in favor of public ownership and public management. Serious charges have been brought against the Board of Gas and Electric Lighting Commissioners, which has to exercise control over gas and electric-lighting plants. Even a paper of the standing of the *Springfield Republican* has felt called upon to rebuke the board severely for keeping secret information which it has gathered. The attitude of the board is characterized as "extraordinary." "If the board," says the *Springfield Republican*, "is empowered to keep secret what information it is pleased to, how are the people to know that they may not become a mere

agency of the monopolies to cover up and justify their possible undue exactions?" Insinuations of this kind are frequently heard in Massachusetts. Dismissing all charges of corruption and bad intention, we have as a net result a strong movement in Massachusetts, away from private ownership of public utilities, to public ownership.

The writer has followed this subject, and the trend of opinion with respect to it, for fifteen years with some care. In his own judgment the trend in favor of public ownership is marked and surprising. He has seen one investigator after another start with prepossessions in favor of public control of private corporations, and turn away from that position as a hopeless one, and take up a position in favor of public ownership as the only practicable solution under our American conditions. There lies before the writer a letter recently received from an attorney, a member of a well-known firm in one of our great cities. This lawyer has been forced by experience to abandon the position in favor of private ownership. He says, as the result of long-continued and self-sacrificing efforts to improve politics in his own city:

"The alleged benefits of regulation are practically as impossible as an attempt to regulate the laws of gravitation, for our legislative councils are nominated, elected and controlled by forces too subtle and insidious to be attacked, and even to be known. \* \* \* A community cannot regulate against millions of dollars organized to prevent it. This temptation disappears, however, when the municipality becomes the owner."

The difficulties of public ownership are not to be denied. They lie on the surface. The problem in the case of public ownership is to secure men of talent and experience to conduct these enterprises, and keep them in office during good behavior; to engage men for all positions on the basis of merit, and, while retaining vast armies of employees, to enact such legislation and administrative reforms as will prevent employees of the city, engaged in furnishing public utilities, from either using their political power for their own selfish ends, or from being used for partisan purposes. This implies, on the part of society, an appreciation of excellence of service, and a thorough-going reform of municipal civil service. Politicians of the baser sort, and all those who have selfish ends to be gained by political corruption, will work against such reform. On the other hand, public ownership

with public operation presents the issues in a comparatively simple form. The clarification of issues is, indeed, one of the strong arguments in favor of municipal ownership. Who knows to what extent employees on the street railways of Baltimore, Philadelphia, New York and Chicago are appointed through the influence of politicians? It is known, however, that many appointments are made through the influence of politicians of precisely the worst sort. It is furthermore known that these corporations are now generally in politics. But because the corporations furnishing these public utilities are owners of private property, and because they conduct a business which is only quasi-public, the political corruption with which they are connected is hidden and obscure, and voters are confused and perplexed. Public ownership carries home to every one the importance of good government, and arrays on the side of good government the strong classes in a community now so often indifferent. Frequently men who are powerful in a community, in working for good government, work against, rather than for, their own private interests. It is, indeed, gratifying to see men of wealth, as frequently as they do, turn aside from selfish considerations to promote measures calculated to advance the general welfare. But can we expect this kind of conduct persistently from the great majority? Have we any right to expect it? A personal allusion is sufficiently instructive to warrant reference to it. When the writer had invested what was for him a considerable sum in gas stock, he tried to answer for himself this question: As an owner of gas stock, exactly what kind of a municipal government do I want? The government of the city in which was located the gas-works in which the writer was interested was a stench in the nostrils of reformers throughout the country; but he could not persuade himself that as an owner of gas stock any very considerable change was for his interest. The city government, as it then was, was a "safe" one, and the result of a change could not be foretold. Is not this, as a matter of fact, the solution of the problem which owners of stock in street railways, gas-works and similar enterprises generally reach when they look at municipal reform solely from the point of view of self-interest? And can we, then, be surprised at a certain apathy and indifference on the

part of what are called the "better classes" in a community? Men of great wealth have been known to work directly against their own narrow interests for the public weal, but has an entire class of men ever been known to do this?

A further result of municipal ownership would be a better balance between private and public interests, and this better balance would strengthen the existing order against the attacks of socialists and anarchists, on the one hand, and unscrupulous plutocrats, on the other. A balance between private and public enterprise is what is fundamental in our present social order, and a disturbance of this balance consequently threatens this order. This balance is favorable to liberty, which is threatened when it is disturbed either in the one direction or the other. Any one who follows passing events with care cannot fail to see that it is menaced by socialism, on the one hand, and by plutocracy, on the other. A man of high standing in Philadelphia, himself a man of large wealth, when presiding at a public meeting recently, stated, practically in so many words, that a professor in a school of some note had lost his position on account of a monograph which he wrote in relation to the street railways of that city. This monograph was temperate in tone, and its scholarly character elicited commendation on all sides. We need not go into the merits of this particular case, but we cannot fail to notice disquieting rumors in regard to the attacks upon freedom of speech, which are an outcome of private ownership of public utilities. There is a widespread apprehension that the utterance of opinion upon one side promotes one's interest, and that the utterance of opinion upon the other side may prove damaging. Mathematical proof cannot be well adduced, but readers can, by careful observation, reach a conclusion as to the question whether or not our industrial order is menaced by plutocracy, always bearing in mind that plutocracy does not mean honestly gotten and honestly administered wealth. There are good rich men, and bad rich men, as there are good poor men, and bad poor men. Does private ownership of public utilities, on the one hand, tempt rich men to wrong courses of action, and does it, on the other hand, place great power in the hands of unscrupulous wealth?

In an article restricted as the present is, it is impossible to go

statistically into experience. The question may be raised, however, Has any one ever noticed an improvement in municipal government from a lessening of the functions of municipal government? Can any one point to a municipal government which has improved because its duties have been diminished, and the number of its employees lessened? If we turn away from local government, do we find that it is through the lessening of the function of government in general that an improvement is achieved? At one time, the Italian government operated the Italian railways. Later, it leased the railways to a private corporation. Has this retirement of Italy from the operation of the railways produced a regeneration in public life? As we travel over this country, and observe the course of local government, do we not, on the contrary, find that, on the whole, it has improved as its functions have increased, and as it appeals directly and effectively to larger and larger numbers? The case of England is a very clear one. If we go back fifty years, we shall probably find that the government of English cities was quite as bad as ours is now. During the past fifty years, there has been a continuous improvement, and this has accompanied continual expansion of municipal activity, while at the same time, through an extension of the suffrage, English municipal government has become increasingly democratic in character. We must hesitate about establishing a casual connection between these two movements, but is it unnatural to suppose that there may be such a connection? When there is a great deal at stake, when the city has much to do, good government of the cities appeals to all right-minded persons; and if there is no division of interests through private ownership, we ought, in a civilized community, to expect to find all honest and intelligent people working together for good government. A tangible basis is afforded the masses for an appeal for higher interests, and reliance is placed upon municipal self-help. Instead of asking other people to do things for them—namely, great private corporations—the people are told to help themselves.

Mistakes and wrong-doing must be anticipated under either one of our two possible systems. What about the relative seriousness of the mistakes and wrong-doing, however? We have a

certain demoralization in each case, and a certain loss. While in the case of public ownership we have an opportunity to recover from mistaken action, in the case of private ownership mistaken and wrong action is often irretrievable on its consequences. Take the case of New York City as an illustration. Jacob Sharp secured a franchise for the Broadway surface railway through wholesale corruption, and was sent to the penitentiary. The franchise, however, was retained by those into whose hands it fell, and others have entered into the fruits of his theft. Under our American system of government, in cases of this sort stolen goods are retained. The franchises are retained, and the forgotten millions continue to suffer, because their rights have not been adequately safeguarded. With the other policy, namely, that of public ownership, how different would be the result? If the street railways were mismanaged, or their earnings stolen, it would be sufficient to turn out the municipal plunderers. Too many overlook what is distinctively American in our problem; namely, our constitutional system, which protects franchise grants when once made, and renders so irretrievable a mistaken policy, provided we have the system of private ownership.

Let it be distinctly understood that the position is not taken by the present writer in favor of municipal ownership at any and all times, and everywhere, and under all circumstances. It must come in the right way, it must come deliberately, and it must come provided with adequate safeguards. It must come as a part of other movements, especially of full civic service reform. But it is calculated in itself to promote these other reforms, and in some cases municipal ownership will be the first step in the direction of that full civil service reform which is so sadly needed. In some cases civilization may be in too low a condition to permit municipal ownership. The socialization of public sentiment which must lie back of proper social action may not have gone far enough. The question is: Have we the social man back of the social action which we advocate? If we are talking about the heart of Africa, with its individualistic blacks, unquestionably we have not the social man which would make possible any considerable amount of social action. Among barbarians and semi-civilized people the few must do things for the many. Social

action must not be forced down from above, and it must not come accidentally, if it is to be successful. It must come as the result of full and free discussion, and of full and free expression on the part of the people. It is on this account that the initiative and referendum, in a country like ours, may properly accompany the social action. Have we in our own country the social man to back social action? If he does not everywhere exist, he is coming, and coming rapidly, and the amount of social action which the socialization of sentiment makes possible and desirable increases in proportion as he makes his appearance. The question of municipal ownership is a question of social psychology. It turns on the nature of the social mind.

## NEGATIVE DISCUSSION

**Quarterly Review.** 205: 420-38. October, 1906.

Municipal Socialism.

*Municipal Ownership Socialistic.*

The British Philistine (B. Shaw) is, we have admitted, a little bitten with the socialist frenzy; but this new political arithmetic will occasionally appear to him somewhat topsy-turvy. He will ask, still stupidly obsessed, as Mr. Shaw would say, by irrelevant commercial ideals, what is now to replace the motive of the private undertaker, and how is the capital for industry to be provided? To this Mr. Shaw has his airy reply. Ability is a commodity which can be hired in the market; but, in a system which contemplates the abolition of the market, surely this is a hard saying. Economic production at a cost which will be well covered by the available purchasing power of the community is no longer an object. We are trading largely for the sake of invisible profits; and in matters of invisible profit the mere able man of industry is as a child. The municipality, for instance, is owner of gas-works. Its object is not to sell gas to those who are willing to purchase it at a price which will give a profit either to shareholders or ratepayers. Its object is to give permanent employment to a happy and contented staff of gas-workers, to light the dark places of the town, to see that the poor man's house is lighted as brilliantly as that of the rich, and to take care somehow that no one, even remotely connected with the gas-works, is either a carouser or a debauchee. This is a task not for ability but for collectivist faith-healing. Its organiser, we suggest, should rather be the civic enthusiast who has some skill in the management of public meetings, and who, when his fellow-citizens want to have electric light, can urge them with glowing eloquence to rest content with the inferior light for

the sake of the common property of the town, now sunk in a gas-plant, and for the sake of the staff, who otherwise would find their occupation gone if they would not consent to be cruelly overworked in learning a new trade. This is a task for an inspired political wire-puller, not for the mere able man of industry.

It is not want of sympathy with socialist ideals, but absolute scepticism as to the practicability of the proposed methods of achieving them, that deters the liberal economist. He has a tempered faith in the ameliorative processes of liberty. On the whole, the free organisation of industry does give advantage to diligence and trustworthiness, does discourage and ultimately procure the correction of supersession of inefficient methods and character, while it allows us to avail ourselves of the improvements which the progress of science puts within our reach. This view promises no immediate millennium, but it explains our progress in the past, and seems to guarantee a similar advance in the future. This very phenomenon of socialism—what is it, he asks, but a sign of a righteous but over-sensitive social morality which has grown up under the very system which it seeks to demolish? With this charter of progress, such as it is, the liberal economist must be content. To him Mr. Shaw's idea that industry can be carried on without being subjected to the test of finance, and without the motive power arising from the expectation of profit, seems wildly fantastic, if not altogether unimaginable.

#### *Municipal Ownership Expensive.*

To an optimism like Mr. Shaw's, which settles so easily the question of management, the matter of capital offers no difficulty. The credit of the municipality is such, he argues, that it can borrow more cheaply than the private trader. In passing, we might remark that only the larger municipal bodies can now borrow at a cheap rate; and some of them would find it difficult to borrow at all. But, accepting Mr. Shaw's statement, we may ask why it is that capital can be borrowed cheaply by municipalities. The answer, we presume, is, because the security is good, because society acknowledges its indebtedness for all time,

and guarantees the principal and interest of the debt. The indefinite extension of this system is an immense boon to the idle capitalist class, or, at all events, to the richer section of it. But the question surely remains: Is the system really cheap to the community? Let us consider a concrete instance.

The estimated capital expenditure for the London County Council's steamboat service is about 300,000*l.* Something presumably must be added for working capital, if, as is inevitable, we still talk in the discredited language of commercial accountancy. The traffic is carried on at a loss of over 53,000*l.* per annum. The 53,000*l.* loss, in Mr. Shaw's audit, is compensated by invisible assets, e.g. the contentment, etc., of 300 polite and skilled officials who, being in municipal employment, are, we hope, as well satisfied with their wages and as free from sickness and the other inconveniences of life as Mr. Shaw's picture leads us to expect. The steamers, it is generally admitted, go too slowly and unpunctually to suit passengers on business bent; but the account must be credited with pleasant excursions enjoyed by many persons of leisure at a nominal cost. It is difficult to reduce these advantages to figures; and, pending the arrival of the new profession of municipal accountancy, we must be content with the Council's assurance that they more than balance the loss of 53,000*l.* per annum.

To continue, however, the question of the capital involved. A steamboat service on the Thames is a very proper field for enterprise. It has been attempted by more than one set of private capitalists; for hope springs eternal in the commercial breast. They ventured at their own risk; the public had for a while its service of boats; but, as the ultimate result, most of the capital is now resting quietly, a burden to no one, figuratively speaking, at the bottom of the Thames; and no one except the capitalists concerned is a whit the worse. The capital involved in the County Council experiment, on the other hand, remains a debt owed to the well-to-do people who have taken up County Council stock. It will have to be paid, interest and principal, by the ratepayers and taxpayers of the county, and so becomes a permanent burden on the community.

*Municipal Ownership Not Enterprising.*

In considering the duration of the life of capital in other walks of trade, we have first to remember that a very large amount of capital never makes any return at all to the investor, and that most of the investment which is productive only remains so because it is constantly renewed and refreshed by fresh doses of capital. The disadvantage of this seems to lie entirely with those who adventure the capital, viz. that class of the public which presumably is most able to bear the loss. The advantages belong to the community at large, for whose sake invention is stimulated and the improvement and supersession of antiquated services encouraged. It is not to be supposed that the same spirit of enterprise could or should characterise the work of a municipality which is risking public funds which it cannot write off as bad debts. The same principle is illustrated by the comparative impotence, uselessness, and occasionally absolute harmfulness of endowments. The permanent withdrawal of capital from the control of the living, and its committal to the sterilising grasp of the dead hand, are often not far removed from a public misfortune. The same unavoidable danger seems to attend the proposal to make capitalisation a municipal or national function.

The first step of the municipalising enthusiast, as we understand it, is to warn the private adventurer off those fields of enterprise which for their inception require legislatively conferred way-leaves and franchises; and it need hardly be pointed out that these constitute a very large and increasing proportion of the great industries of the civilised world. Investors who otherwise might have ventured their money in such undertakings are invited instead to take up municipal stock. The whole burden of preserving intact the evanescent value of such investment will be thrown on the rates and taxes. The old channel of relief which lay through the writing-off of the bad debts of industry will no longer be available; and public enterprise will sooner or later have to face the alternative—of seeing progress brought to a standstill by reason of the burden of indebtedness in respect of improvements of which the value has expired, and of having to decline new fields of enterprise in which the yearly

increment of the population might expect to find its profitable employment; or, on the other hand, of repudiating the debt, a course logically demanded by those who regard with abhorrence the existing capitalistic order."

*Monopolistic Evils Exaggerated.*

But the stronghold of the advocate of municipal trading and the denouncer of profit is the alleged injury to the public when a service is carried on by private enterprise under a complete or partial monopoly. Monopoly of old was a usurpation granted by the Crown to an individual or a corporation, or for some plausible reason assumed by the public authority itself; and the profit which is made under such conditions is in reality a tax. It is only in comparatively modern times that monopoly has been granted for the protection and advantage of the public. Monopoly is an evil arising out of a natural limitation of supply, and is only to be mitigated by a choice of evils. To give compulsory powers, under conditions, to railways and telegraph companies seemed preferable either to allowing them to tear up the streets at their will, or to making the public wait for the advantage of railways and telegraphy till the companies could agree with private owners. No great principle seemed at stake. Gas, water, and sewage were managed by companies or public authorities, as accident decided. Of old time the Government claimed a monopoly in letter-carrying, and later insisted on adding to it the telegraph and the telephone, which seemed formidable competitors. It allows messenger companies, but exacts from them a heavy royalty; and as yet it has made no claim to a monopoly of carrying parcels. The Government makes roads, but not railroads; it is partially responsible for harbours, but not for railway stations. No one invariable principle has been followed.

The difficulty of protecting the public in monopolised services as adequately as it is protected in other services by competition is probably not wholly superable. If, as with the Post-office, the Government constitutes itself sole contractor, it is impossible to say what we may have lost in efficiency. Letters are carried at a profit, but all other branches of post-office work are con-

ducted at a loss; and by common consent we have the worst telephone service in the civilised world. We have not even the consolation that the postal staff is made thoroughly happy.

If next we consider the important service of railways, we shall find that the protection of the public is more effectively carried out by competition, which was supposed to be excluded, than by the regulations of the Board of Trade, though these have been carefully and wisely contrived. To begin with, there has always been competition between one railway and another; roads and canals and sea-carriage are still available; but probably the greatest incentive to diligence in the public service has been the recognised disposition on the part of goods and people to stay where they are unless movements are encouraged by cheap and attractive conditions of travel. If we consider the fact that there are, as a rule, alternative ways of doing what we want to do, and that much that we want to do may very well be left undone, it will appear that the evil of railway and, indeed, of all monopoly is much exaggerated. Purveyors of service for our luxuries, amusements and necessities compete more or less unconsciously one against another. If fine cognac is dear, we pretend to prefer Scotch whisky; if a holiday by railway is uncomfortable owing to overcrowding and expense, we take a steamer to Cromer or to Norway. Even if a business journey to Birmingham might seem desirable, the excessive cost of it may decide us to make shift to manage by means of letter or telegram.

Summing up this portion of our argument we may say that the evil of monopoly is very much exaggerated; that regulation for the protection of the consumer is possible; that a closer consideration of the different methods of introducing regulations might even warrant us in increasing the sphere of monopolised industries served by private enterprise; and lastly, that, even if regulation is evaded and a considerable profit is made, the earning of profit is a legitimate incident in industry, and that the existence of a guaranteed investment has a public and general convenience. It is frequently argued, and with some plausibility, that the existence of state and municipal debt has a great advantage as providing financial convenience to banks, insurance

offices, provident societies, trustees, and persons responsible for the custody of charitable and similar funds. Stocks representing partially monopolised undertakings offer a field for the investment of such funds which is not open to the objection urged against the municipal capitalisation of industry pure and simple, namely, that municipal debts exist for the advantage of the *rentier* class only, and that they withdraw capital from the risks of competition to which, in the interest of the general consumer, ordinary investment is properly liable.

#### *Municipal Area Limits Industry.*

The economical creation and distribution of electrical power can only be carried out on a grand scale; and for the inception of such enterprise parliamentary powers are needed. The areas of municipalities are admittedly too small to satisfy this condition. Local Government divisions generally have arbitrary boundaries, and do not lend themselves to the advantageous grouping of power-areas. The supply of electrical energy to the mechanical industries of this country is an undertaking of unprecedented magnitude. Not only, it is suggested, can the present uses of steam and gas be largely superseded by the new force, but industries and uses altogether new and unimagined are waiting to be called into existence. Large fortunes will be made, and large fortunes will be lost, in experiments. If we are to feed and find employment for the increasing millions of this country, and to hold our place in the van of nations, we have need here of a lavish and reckless expenditure of money by the captains of the industry.

It is painful, therefore, to be forced to the conclusion that this movement is being strangled in its infancy by the miserable jealousy and self-sufficiency of the municipal monopolist. Municipalities, unabashed by the revelations of municipal incompetence at Poplar and West Ham, are asking that they shall be made the monopolists of a force on which the whole future of British industry probably depends. The impotence of the larger authority, the County Council, for such a task is hardly less marked. The leading spendthrifts of Poplar are influential members of the London County Council. They have overborne

the opinion of competent financiers like Lord Welby, the chairman of their own finance committee, and are determined to obtain a monopoly for the supply of electrical energy. Hitherto this dire calamity, which would probably condemn London to gradual but certain industrial decay, has been averted; but, with one or two exceptions, notably at Newcastle, the agitation has succeeded in its dog-in-the-manger policy of defeating all applications from private companies for leave to speculate in this vast field of industry. Meantime we are being overtaken and relegated to an inferior rank among industrial nations by countries which have found means to evade the rapacity and stupidity of these obstructive tactics. It is not now a question of protecting the helpless consumer; that disguise will no longer serve; the managers of the industrial enterprise of this country do not ask to be protected from the monopoly of private adventurers, but from the incompetence and inadequacy of municipal management.

We have followed the example of Mr. Shaw and have discussed the question in its larger aspects. We agree that reference to figures is probably irrelevant when addressed to those who are forcing on this movement. The strength of the party of municipal monopoly is pure fanaticism. Its adherents repudiate accountancy and rely on arguments which hardly seem to touch the ground of common-sense. In Major Darwin's work the reader who desires a more detailed consideration will find a most dispassionate discussion of the merits and demerits of each argument. Like Mr. Shaw, he recognises that the appeal to balance-sheets is futile. He suppresses, however, any inclination he may feel to decide the question by reference to a general principle, and considers each allegation on its merits. This procedure will be found most useful for those who are disposed to regard the subject as an open question; but, as we have argued, the whole controversy is overshadowed by the larger issue of whether we are prepared to make a great experiment in collectivism. If we are not prepared for this, municipal trading stands condemned; it can only be logically acceptable to those who regard it as a starting-point for a far-reaching economic revolution which they earnestly desire.

World To-Day. 12: 374-9. April, 1907.

Municipal Ownership of Electric Light Plants. James R. Cravath.

Does it pay a city to go into the electric light business? Should it own its street-lighting plant or should it let the contract to a private company? These are questions which have perplexed the voters in many towns. The average citizen who pays the taxes needs only to have the evidence on both sides laid fully before him to decide and vote in the way most favorable to his pocketbook. His difficulty usually is to get the evidence. On the one hand, if the most radical advocates of municipal ownership are to be believed, the electric-lighting companies of the country are earning enormous profits, which under municipal ownership would stay with the taxpayers and consumers. On the other hand, according to some of those opposed to municipal ownership, such ownership has a record of dismal failures, mismanagement and graft. The majority of thoughtful citizens who belong to neither of these two radical classes are looking for the truth, which (as usual in such arguments) lies somewhere between the two extremes. I will aim to present in an unprejudiced way some of the essential facts on both sides, as observed during many years' work and familiarity with the electric light and power industry of the country, both as carried on by cities and by private corporations.

In the case of a large number of the electric light plants owned by municipalities in the United States, the question of city versus private ownership was never an issue, for the reason that the towns are so small and the profits so uncertain that if the city did not build the plant no one else would. These we must evidently leave out of account in our discussion. What, then, are the objects sought by a city which establishes its own electric light plant if private capital has embarked, or is willing to embark in the enterprise? Evidently to save money for the taxpayers or to get better service.

#### *The Question of Profits.*

The common argument, of course, for the establishment of a municipal plant is that the city will gain the profits which

ordinarily go to a private company undertaking a street-lighting contract. But what are the profits actually earned by electric light and power companies through the country?

Whether an electric light plant is built by the city or by a company, interest should be paid on the investment. If we assume that a large part of the cost of construction is paid by issuing bonds, it is undoubtedly true as claimed by municipal ownership advocates that a city can sell bonds bearing a lower rate of interest than could a private corporation doing the same business. It will be evident, however, that a difference of one or two per cent in bond interest on a plant may easily be counterbalanced by other factors, such as the rate of wages paid and the efficiency of the management.

It is of first importance to determine in this connection the actual profits being made by electric light and power companies over and above the common rates of interest paid on municipal bonds. If such profits or dividends are considerably above interest rates on municipal bonds, we have at once a strong incentive for municipalities to enter into electric lighting business themselves. Otherwise one great argument for municipalization disappears.

Unfortunately there are no figures available on the financial condition of electric lighting companies the country over, and we must fall back upon our general knowledge of the business and the statistics of a few localities. The State of Massachusetts for twenty years past has had an excellent system of regulating electric light companies and municipal plants and safeguarding the interests of both stockholders and public. Yearly reports are made to a board of gas and electric light commissioners, both by private companies and municipal plants. We have therefore from Massachusetts more complete information as to the state of the industry than from any other state or locality. We can place more confidence in the reports of this commission than in most of the other statistics cited in connection with municipal ownership controversies, for the reason that the methods of classifying accounts and making reports as well as the issuance of stock and bonds are controlled by the commission according to certain uniform regulations, and have been

for many years. Companies and municipalities not required to report according to such fixed rules, if they issue reports of their financial conditions at all, issue them in such various shapes that no one but an expert can analyze them in a way to afford a true comparison, and frequently even an expert can not make such comparison without actual further examination of the books.

In Massachusetts, according to the 1905 report of the commissioners, of the fifty-six purely electric light and power companies in the state, twenty-four paid no dividends; one paid a dividend of two per cent; one a dividend of four per cent; one a dividend of 4.5 per cent; four a dividend of five per cent; eleven a dividend of six per cent; three a dividend of seven per cent; eight a dividend of eight per cent; one a dividend of nine per cent, and two paid dividends of ten per cent. In some states with some kinds of corporations these statistics on dividends would give little indication of the per cent of earnings on the actual investment, because of the common practice of issuing watered stock for which but a small per cent of the face value has been paid. In Massachusetts, however, where securities for many years past have been issued only upon approval of the commission, to pay for actual improvements in a plant, these figures can safely be accepted as indicating very nearly the true state of affairs. This statement as to dividends, of course, does not show what earnings may be put back into the property in the shape of new construction and extensions. In this latter connection it is of interest to note that the combined balance sheets of the Massachusetts companies show a surplus of 10.76 per cent on the entire capital stock, in the 1905 report, but this is less than the surplus showed the year previous.

These figures simply demonstrate what is known to every well-posted man in the business: namely, that electric light companies, when well managed and if in sufficiently large towns, can be reasonable expected to pay the usual prevailing rates of interest on investment, and in some cases a little more than that, but that there are plenty of companies which either for the lack of good management or for some local reason are earning practically nothing. There is certainly nothing in these figures to indicate that enor-

mous profits are to be pocketed by taxpayers as a result of a municipal electric light plant.

*Rates of Municipal and Private Companies.*

But are the street lighting rates in the Massachusetts cities served by private companies the same as those where there are municipally-owned plants? Consulting the Massachusetts report further to determine this point, we find that the rates per year for arc lamps commonly rated as 1200 c. p. are from \$104, the highest rate, to \$54.69, the lowest. In municipal plants the cost of such lamps is given as from \$133, the highest, to \$53.34, the lowest. In the Massachusetts figures, of course, interest on the investment is included, as it should be in all such reports. Taken altogether, the cost of street lighting by municipal plants in Massachusetts is not strikingly different from that in cities supplied by private companies, although the highest municipal figures are considerably above the highest contract figures.

The reason that these Massachusetts figures on costs of municipal lights do not correspond with some which we see quoted by radical municipal ownership advocates on plants in other states is that in Massachusetts the law requires that an allowance of five per cent of the cost of the plant shall be made yearly for depreciation. This allowance is certainly none too much, and in some cases is too little, but it is frequently left out of account altogether in figuring the cost of municipal lighting on a plant owned by a city.

Another set of statistics which throw some light on the amount of profit in electric lighting business in general is obtainable from a report made by the secretary of the Iowa Electrical Association to that body in 1906. The secretary obtained reports from seventy-seven electric light companies in that state. The average dividend was 2.95 per cent.

New York state also has had for a short time a gas and electric light commission under laws similar to those in Massachusetts. The returns made indicate in general a very similar condition of affairs to that in Massachusetts. On the whole, from my knowledge of the business the country over, I think the Massachusetts figures would correspond closely to those in

the majority of other states, were the figures known, except that a very limited number of companies may temporarily earn a little better than ten per cent.

I have so far considered this question of financial returns only in a general way, without taking up specific examples. For those who wish to study such specific examples the published reports of the Massachusetts and New York commissions are open. As the former reports are made on uniform systems of accounting, comparisons can fairly be made between the different companies and municipalities reporting. Specific examples from other states have been cited many times in municipal-ownership controversies, but because of the great differences in methods of accounting, as before explained, they are likely to be almost worthless for purposes of comparison unless scrutinized closely by experts.

#### *Chicago and Muncie.*

One of the most prominent examples of a municipally-owned electric light plant is that of Chicago, about which there has been considerable controversy. Chicago's municipal electric light plant, unlike many others, was not built by the sale of bonds, but has been paid for a little at a time out of the general tax levy as the plant has been gradually enlarged. According to the last published report of the city electrician, in which interest on the money was figured in both cases, there has been a saving to the city of something like ten per cent in the total cost of street lighting for the entire period of eighteen years the city plant has been in operation. This statement, however, assumes that the cost per lamp under a private contract would have been the same as the city has been paying a company for a few rented lamps in widely scattered outlying districts where the city could not operate as cheaply. As to whether Chicago would have had to pay for a large number of electric street lamps as much as it has been paying for a comparatively small number of scattered lamps on short and uncertain contracts; is, of course, problematical.

According to Haskins & Sells, expert accountants, who went through the Chicago lighting accounts about six years ago, the

operating cost of a municipal 450-watt arc lamp in the city of Chicago in the year 1900 was \$62.09; and the total cost, including water, insurance, taxes, depreciation and interest charges was \$99.08. Allowing for certain items, over which there may be controversy, it is safe to say that the cost per lamp was over \$90, including fixed charges, which is not far from the average paid in other great cities. The rate paid for similar lamps in New York city is \$100, but coal and distribution investments are higher in New York.

Chicago has what might be rated as one of the relatively successful municipal plants. Among the decidedly unsuccessful ones, a conspicuous example was that at Muncie, Indiana. This city had a municipal street-lighting plant which cost \$36,000. In eleven years, under council committee management (or lack of it), the operating cost per lamp nearly doubled. The superintendent, in his annual report made before the final demise of the enterprise, recommended that if the city could not find the money with which to improve the plant, it had better sell to private parties, or buy current from some private company. The matter was brought to a head by the bursting of a fly-wheel in the municipal plant and the wrecking of the station. A ten-year contract was then made with the electric light company to supply street lamps at a cost far below the operating cost shown by the yearly reports of the municipal plant. The municipal plant, upon which \$36,000 had been expended in construction, was valued by a board of appraisers at \$15,000, or a depreciation of \$21,000, with no fund to provide for it.

#### *Management the Vital Matter.*

I might go on and cite numerous cases of disastrous municipal electric-light plant ventures and I might also cite some cases of well managed and successful municipal plants.

If a proper depreciation account is not kept and a municipal plant is not insured for its actual value, it is the whole body of taxpayers who suffer when the plant is destroyed by accident. When a company gives poor service or charges high rates, the public at large will be much more benefited by taking measures to secure adequate control of the offending company than they

will by trying to take over the business of the company, the difficulty of whose operation is not known.

In the case of both private and municipal plants, the margin of profit is small enough for good or bad management to throw the balance one way or the other. But with this difference: If the private plant is mismanaged it is no concern of the taxpayer; it concerns only stockholders. Under a contract with a private company for street lighting at a reasonably low rate, the taxpayer takes no risk save a possibility of paying a small percentage more for given services than he would pay if the city ran the plant. If the city owns the plant, he may get his street lighting for a little less than he would pay the private company, but with the tolerable certainty that if there is grafting or incompetency in the management of the plant, he will pay a good deal more. In fact, it is a kind of one-sided speculation except, of course, where reasonable rates can not be obtained from a private company. The taxpayers of a city usually, therefore, should think several times before embarking in such enterprises.

*The Energy of Private Management.*

As the management of municipal electric light plants is such an important factor in determining whether it is a losing proposition or not, let us inquire into the possibilities for good or bad management in connection with it. I am not one of those who believe that municipal management is necessarily and invariably incompetent. This is disproved by a number of cases where municipal enterprises were well managed. But there are certain things in American municipal affairs to which we can not shut our eyes, however much we may hope to change them within the next twenty-five years. The war against graft in municipal politics has been making considerable headway the past ten years, and we may hope to see it make even better headway the coming ten years; nevertheless graft is a factor to be considered.

The fact is that at the present time it is as a rule difficult to get the best class of men for the management of municipal enterprises. Why? In the first place, a man of ability and

ambition will usually prefer to work for a private corporation where opportunities for advancement and appreciation of ability are better than in municipal service, and where he is more certain of his position. The man working for a municipality is altogether uncertain as to his future or as to the competency or incompetency of the council committees to which he may be responsible. As he is working for the public, he is subject to all sorts of criticisms to which an officer in a private corporation is not subject, and may even be suspected of grafting because he is a city employee and for no other reason. These things, no doubt, account for the fact that comparatively few men of promise in the electric lighting industry of the country are to be found in municipal plants. In my personal experience on the editorial staff of a paper devoted to the electric lighting industry and in traveling among such plants, I almost invariably find that the up-to-date, progressive and aggressive management which contributes to the general progress of the art is to be found in private rather than municipal plants.

#### *Graft and Public Ownership.*

The advocates of municipal ownership have laid considerable stress on the possibility for corruption of city councils and other officers in connection with the letting of the street-lighting contracts or franchises to private companies. That there are such possibilities, especially in the larger cities, no one will deny. On the other hand, is it not likely that a city government composed of rascals would find even more opportunity for robbing the taxpayer under municipal ownership? In the case of a private contract the amount is definitely known to every one at the time the contract is made, and if there is anything very unreasonable about the proposition, public sentiment will enforce reasonable terms before the contract is signed. When the public utility is municipally owned, it is a difficult matter to locate and prevent graft both large and small.

Space is not available here to cite specific examples of successful and unsuccessful municipal plants at any length, but I may mention a few of the extremes. One of the most suc-

cessful municipal plants I know of is that at Marquette, Michigan, where the city developed a water-power. The property is managed much like that of a private company. Considerable power load is carried. So enterprising has been the management that the gross earnings from operation, according to the annual reports, are as high as \$4.20 per capita of population. Most private companies are not doing as well as to gross earnings. The lighting department of the city is kept separate from all others, just as if it were a company, and it is paid \$75 per year for a 2000-c.p. arc lamp. For the balance of the revenue the management of the plant is dependent on its own enterprise. Chicago's plant is mentioned elsewhere. Detroit's municipal plant may also be rated among the more successful. While lamp costs in Chicago and Detroit are nowhere near as low as advertised by municipal ownership advocates in years past, they are not far from prevailing contract rates.

#### *Failures of Municipal Plants.*

Among recent municipal ownership failures may be enumerated Muncie, Indiana, mentioned elsewhere, plant abandoned, and bonds not paid off; La Grange, Illinois, plant sold to a company; Elgin, Illinois, municipal costs so high that contract was let to company; Jonesboro, Indiana, plant turned over to bondholders; Alexandria, Virginia, plant leased to a company for thirty years; Ashtabula, Ohio, \$88,000 plant depreciated \$50,000 in fourteen years, advertised for sale; Brunswick, Missouri, plant sold for thirty-five cents on the dollar, city taking pay in light and water; Casselton, North Dakota, plant sold for two-fifths cost; Siloam Springs, Arkansas, \$30,000 plant leased for \$600 per year; Peru, Indiana, council investigating committee found arc lamps cost \$207 per year and advised that the city abandon the business and sell the plant; Linton, Indiana, plant leased for five years; Hamilton, Ohio, gas plant shut down and state examiner reported deplorable financial conditions and abnormal costs due to faulty construction in electric light plant; Bloomington, Illinois, increase from \$58 to \$65 in yearly ~~cost~~ of arc lamps in ten years, although cost should have been less; Easton, Pennsylvania, mayor favors letting of private contract if city can

not maintain better service, and business men petition for such a contract; Lakewood, Ohio, expert accountant found cost of arc lamps about double the price offered by a private company.

*Conclusion.*

What conditions will be twenty-five years from now, I do not know, but I hope and believe that they will be more favorable for municipal enterprises. In the meantime I am willing to let the private corporations take the risks and the profits wherever they can and will give reasonable rates and good service.

*Quarterly Review.* 209: 409-31. October, 1908.

Municipal Trade. Leonard Darwin.

Mr. Bernard Shaw, in his 'Common Sense of Municipal Trading' (p. 3), tells us that 'the central commercial fact of the whole question' is that cities can raise money at low rates of interest, and that consequently the citizen, 'by municipal trading, can get his light for the current cost of production plus a rate of interest which includes no insurance against the risk of loss, because the security' is practically perfect. Prices in municipal trade can therefore, so it is urged, be reduced below the level of prices in private trade. This is, no doubt, a view commonly held by sensible persons, and it may on that ground be described as the common-sense of municipal trading. But if it is widely accepted, it is so not because it is accurate, but because the underlying fallacy is not easily exposed. Is it right, it should in the first place be asked, that a municipality should make 'no insurance against loss' out of the profits of any industry it may manage? Every commercial venture is not a success; and losses are inevitable if a city enters extensively into such enterprises. Out of the profits of successful ventures, such as gas-works, an insurance fund ought therefore to be created to cover losses in unsuccessful ventures, such as the London steamboats; for, if this is not done, these losses may have to be met by additional taxation. No doubt most municip-

ipal trades are monopolies, in which case the city has generally the option of raising prices as an alternative method of meeting a loss.

*Taxes Increased.*

It is obvious, therefore, that in order to estimate the immediate increase of taxation likely to fall on the citizens of a city municipalising any industry, the probable net loss in cash must first be estimated; and to this must be added an estimate of the rent which would be drawn from the private proprietors of the industry if it were not municipalised. In fact a careful study of these returns indicates that an increase of taxation is the probable immediate result of municipal trade, though it is a result which the citizens concerned may never perceive.

*Municipal Employment Costly.*

To discuss in detail all the reasons why the direct employment of labour by municipalities is likely to be costly would occupy many pages. But an analysis of these reasons indicates that they are based on a few broad underlying considerations which may be briefly stated here. In the first place, the municipal workman often has a vote in the district in which his work lies, and thus gains a voice in the selection and rejection of his masters, the members of his town council—a privilege not enjoyed by any private workman. This is, no doubt, the basis of the socialistic claim that the civic employé is certain to be well treated. But it also indicates the probability that workmen in public employment will be paid wages above the market level, that less work will be demanded of them in a given time, that discipline will be less effectively maintained, and that for these reasons the cost of production will be greater in municipal than in private trade. In the second place, the stimulus of personal gain is almost inoperative in municipal trade, whilst that same stimulus animates private trade in ways too numerous here to be mentioned, thus making private trade more progressive than municipal trade—more progressive, that is, in cases where financial success is probable. In a district where the profitable working of a tramway is improbable, it may

be that it is more likely to be constructed by town councillors than by company directors, because the local authorities are unrestrained by that excellent commercial brake, the fear of personal loss.

*Corruption.*

It is perhaps unfortunate that the question whether municipal trade pays or not necessarily forms such a large part of this controversy, because no doubt in many matters other considerations are more important than those concerning finance. Cities may be right to face losses when those losses are incurred for the general good; and the management by local authorities of roads, waterworks, baths, slaughter-houses, cemeteries, harbours, etc., when these services are unremunerative, may in many cases be justified on this plea. But to impose additional taxation merely for the sake of encouraging the direct employment of labour cannot thus be justified, for the result would be to benefit a class and not the whole community. In fact, as regards society generally, direct employment is the reverse of a benefit, because the germs of corruption undoubtedly exist in our cities, and the probability of the disease spreading is greatly increased if large numbers of employés are brought under the direct authority of the civic authorities. This is by far the strongest argument, not necessarily against municipal ownership, but against the direct employment of labour by civic authorities. On this subject the United States is often held up as a warning in indicating the depths of corruption into which English-speaking cities may fall, and of the difficulty of extricating them.

**World To-Day.** 12: 621-5. June, 1907.

Municipal Ownership of Public Utilities. John W. Hill.

All the arguments that can be made for municipal ownership and operation of public utilities can be made against it, with the additional argument that the very highest measure of success in business management has been attained in private or quasi-public enterprises; and this will always be so, so long as we live under a form of government subject to frequent elec-

tions, spasmodic reforms and the lifting into office of many men, often unfitted to conduct with success the commonest affairs of life. Municipal ownership means the conduct of public utilities by men whose chief and sometimes only claim to consideration is the fact that they received more votes than their opponents at the last election.

Unless all men are capable of managing public utilities, municipal ownership and operation in principle is bound to be a failure, because any man may by the votes of his friends be suddenly thrust into an office which will require him to assume the management of enterprises calling for technical skill and experience; and herein lies the danger to public interests, because the staff can not be any better than its head, and under the withering and degrading influence of partisan politics is often worse than the head.

Political appointments are to be condemned, because they *are* political appointments, and not because of inherent objection to the man appointed, for no matter how great his talents, or how evident his fitness for the work assigned, the knowledge that his appointment is due to political influence rather than to recognition of merit, will clog his efforts and weaken his ambition, and the constant feeling of insecurity connected with public office will chill his ardor and shorten his reach.

All public utilities begin with plans and construction work, and here arises the first economy in favor of private ownership. In organizing the staff to design and build, merit and efficiency alone are considered, political considerations do not enter, and each man is selected and each move made to secure the largest, quickest and safest return for the money expended. In private enterprises promises for efficient service can be made and the incentive to active and successful effort can be maintained. Civil service rules which are often a bar to high achievement and practical ability in municipal enterprises seldom find place in private work. A competent official is recognized and awarded even though his knowledge of Greek and grammar is not of a high order, and the adjustment of the members of the working staff to the positions of greatest usefulness is sure and easy under private management.

The writer at one time had occasion to seek the services of a competent transitman in tunnel work; several candidates were highly recommended for the place by the City Civil Service Commission, who, when put to work, succeeded indifferently well. Finally a man of large practical experience in coal-mine surveying, but with a poor record from the Civil Service examination, was employed for the duty, with marvelous results in the speed and accuracy of his work. This man had grown up in the coal mines, had learned to handle a transit and level as a forester learns to handle an ax, with only the rudiments of trigonometry at command and wholly unable to explain on paper the usual adjustments of field instruments, but he was as sure in his work under ground as if it was second nature. He made good, notwithstanding his failure to show a satisfactory record on Civil Service examination, but it was only by violating the Civil Service rules with regard to appointments in the city service that his talents became available. In a private enterprise his record of past experience and recommendations would have secured a place for him.

Freedom of action in choosing one's assistants seldom prevails in the conduct of municipal bureaus. Eminent talents are rarely known and seldom sought for among the employees of municipalities, because the term of office is short or uncertain and the encouragement to lofty and persistent effort correspondingly lacking.

In organizing a municipal staff, the first consideration is political service and availability for future political ends. A ward captain will usually rank higher in the estimation of the appointing power than an experienced mechanic, engineer, clerk or accountant, and utility and fitness for the task assigned is a secondary consideration, and too frequently not a consideration at all. Under such conditions public service is perfunctory, dilatory and inefficient, the cost of service is enhanced, and the comfort and convenience of the public impaired.

This is not necessarily due to inherent defects or incompetency in the individual appointee, but to a pernicious feature of American municipal government, which makes merit and fitness for service take second place to influence and patronage. Under

such conditions any part of a public service which depends upon manual labor or human skill must be obtained at an increased cost over the same service from a system which knows neither influence nor patronage, and which marshals its employees according to merit and fitness for the duty assigned.

In organizing a working staff for a private corporation, the fewest men consistent with the work to be performed are selected, and effort is always made to bind them by feelings of self-interest to the enterprise, and retain them indefinitely, because their experience becomes a valuable working asset of the corporation, which can not readily be replaced on short notice. No such conditions can prevail in public affairs because the man at the top is himself a creature of chance or caprice, and his tenure is subject to the whims of the people who elevated him to office. He can not guarantee a term to his subordinates because of political expediency and his own uncertain base, and the fidelity of service which comes from respect for vested authority, and the skill and command of his superior, can rarely be inspired in employees on municipal work.

In the making of contracts and purchase of supplies for public utilities the private corporations have a decided advantage. The usual restrictions, hindrances, circumlocution and indirectness of methods forced by law and ordinances in public contracts and purchases of materials are swept aside in private enterprises, and the object, whatever it is, is sought by direct methods guided by intelligence of purpose.

Contracts for public works are so hampered by "safeguards" and by restrictions, that an experienced and conscientious contractor is bound to protect his interests by demanding prices above those he would ask for the same kind of work from individuals and private corporations.

The exercise of judgment and sense of fair dealing which prevails between men of honor and mental ability, can not prevail with the municipal officers and the contractor. The municipal contract is an inflexible instrument, open to only one construction, and that the construction put upon it by the officer himself.

Contracts made by private corporations go direct to the

three material points: 1.—Kind and quality of work. 2.—Time of performance. 3.—Price and terms of payment.

Contracts with private corporations are treated, as they should be, as commercial transactions subject to their laws and customs, and free from the taint of political or any sinister influence. Differences between the buyer and seller on quality and price of work are quickly and fairly compromised, and as a rule work on the private contract is in progress before the municipal contract has completed its travels around the offices which by law are required to participate in its execution. The red tape connected with the letting and award of public contracts involves delay and expense which the bidder is bound to consider in making his prices for the work.

Private inspection and measurement of work is usually exact, without being captious, and the delay due to the list of officials who must be seen before difficulties can be met and overcome in public work are not encountered in private work, because some one in whom his employers have confidence is vested with authority to act, and his acts are by law the acts of his principals. In public affairs it is often a matter for the courts to decide as to who really has the authority to resolve disputed and troublesome conditions of municipal contracts.

Political and usually incompetent inspectors and inexperienced managers are the rule on public contracts, while a private corporation, from the necessity of conserving its capital, must have competent men to manage its work and avoid losses due to mistakes of judgment or errors of inexperience. Time and cost alike are essential elements of private corporations, because returns are sought for at the earliest convenient date, while public enterprises are usually conducted with small regard of time and less regard of cost.

As a personal conviction, I think, the less the larger municipal corporations engage in lines of business which can be conducted by private corporations, the better it will be for the public at large. There is more need of coffee and sugar in a municipality than there is of trolley cars and electric lighting. But no one, not even our most aggressive demagogues, has proposed to establish a municipally owned and operated grocery

store, but it may come to this in time, when the men who purvey our real necessities of life will be political partisans imbued with the spirit of political success, rather than with the desire to cultivate and secure the good will of their patrons.

It is proper that the bent of an enterprise or monarchy should be paternal, because, as a sentiment at least, everything and all avenues of progress start from a common center at the head of the government. Paternalism, however, is neither desirable nor possible in a republican form of government where the officials from the President downward in the scale are chosen for a brief time as executives of public will, and with an opportunity too limited to admit of permanently fixing the stamp of individual ideas on public affairs.

The best service is rendered when there is hope of reward, and the best commodity produced where there is hope of profit. Where reward and profit are lacking, service and commodity depreciate in value. The rewards of political life are dubious and ephemeral, and the profits are not forthcoming by honest ways. All these things go to make municipal ownership of public utilities an undesirable end. The losses due to extravagance and misdirected efforts of municipal bodies will represent enormous dividends on properly applied capital, and when it is considered that any municipal work can be built and operated at less cost by private corporations than by public corporations, it is a marvel how intelligent people can be hoodwinked into the support of the popular and irresponsible clamor for the conduct of public utilities by municipal officials.

A case in point on one of the impediments to an award of municipal contracts is worth consideration. In a city contract involving nearly eight hundred thousand dollars' worth of work and materials, the lowest bidder, a thoroughly responsible party, was somewhat ambiguous in stating his prices on certain items, and to guard against error, he was asked to explain the intended scope of the doubtful prices written in his proposal, and upon reducing his explanation, which was satisfactory, to writing, his proposal was accepted.

A disappointed competitor prayed for an order of court restraining the director of public works from executing the con-

tract because of irregularity in making the award. The prayer was granted and the director ordered to reject all bids and re-advertise the contract, causing several weeks' delay, during which interval of time prices of materials were advanced and the cost of the work accordingly increased.

The court, in this case, held that the director had no right, prior to award of contracts, to confer with the lowest and apparently best bidder upon the contents of his proposal, as to the amount of labor and material embraced in the price of one or two of the many items; that it gave the bidder an unfair advantage over his competitors notwithstanding under the law and customs of the department he was the lowest and best bidder. The court held that the award of a public contract was not subject to the business and common-sense judgment of the director, but was a simple problem of arithmetic which could be solved by any clerk in the director's office.

The opinion of the court cost the city many thousands of dollars and weeks of delay, and was thought by the director and his advisers to be unsound in law and logic. But it was the opinion of a court, and as such had to be respected.

No such foolishness could arise in disposing of a list of tenders on a private contract, for only such people would be invited to bid as could certainly comply with the requirements of the contract. Personal interests would have no weight in making the award. Quality of work, guarantees, and time of performance and price alone would be considered, and no reasonable ground would be afforded for complaint on the part of the disappointed bidders. The buyer would seek the best article at the lowest price, unrestricted by the usual municipal conditions calculated to hamper his decision and thwart his judgment.

The faults of municipal contracts are not due so much to mismanagement as to the multitude of conditions to be met before a contract can be made, and the troublesome restrictions placed upon its performance after it is made. It can not be gainsaid that the private corporation can buy the same thing at a better price and upon better terms, and can adjust disputed points of performances more quickly and satisfactorily than can a municipal corporation. The parties can go at once to the gist of the

difficulties and adjust them according to the judgment of intelligent and experienced arbitrators.

While private corporations are organized and operated for profit, and always have profit in view, the service rendered should be better and rates charged be more reasonable than the service and rates of a municipal corporation which attempts to perform the same work or furnish the same commodity.

If faults are found in the service or charges of private corporations, the cause should be looked for in the ordinances or laws granting the franchises, rather than in the management or operation of the private corporation.

The city of Philadelphia for years owned and operated a municipal gas-works, which eventually became an asylum for broken-down political heelers, and for some who were not broken down. The evils of municipal control shown in the poor quality of gas, indifferent and slovenly service, high prices, and large annual losses in the operation of the works, became so great that many of the people of this truly good (?) town, prayed that some one might be permitted to take the city gas-works from municipal control, even if they had to steal it, and thus get rid of an incubus which political inefficiency and greed had fastened upon them.

In course of time, the gas-works were leased to a great and powerful company which shortly overcame all the difficulties formerly surrounding the municipal gas-works, and gave to the people better service at lower prices, in addition to making an annual payment to the municipal sinking fund of several hundred thousand dollars, increasing from year to year, which was used to extinguish the overwhelming debt created by municipal control of the institution.

A certain city in the United States was about to construct large and necessary improvements in its water-works, after plans and estimates had been prepared by engineers not under municipal control. A syndicate of capitalists agreed to construct the works within the estimate of cost and time. It was found, however, that the law would not permit of the construction in this way, and that the work must be carried out under the management of the municipality, with the natural result that the cost

has been exceeded by nearly seventy per cent and the time exceeded by one hundred per cent, with the works unfinished to-day. The parties who proposed to perform the work were men who had driven railroads over mountains, across broad rivers, and through the trackless wilderness, who know the exact value of materials and labor, and how to obtain the best results at the lowest prices, and who could not afford to tolerate extravagance or delay, because their profit depended upon quickness of action and certainty of results.

Extortion by private corporations should not be tolerated, and a reasonable appeal to the courts can be relied upon to prevent or remedy this. Public utilities under private control should be allowed an income which will represent a reasonable profit on just capitalization and honest and efficient management, and more than this can not be obtained, if the people are alive to their interests. It is always possible to compel satisfactory service at reasonable prices from private interests, and no one appreciating the value of his property can afford to antagonize the people upon whose good will and patronage his success depends.

**North American Review. 182: 853-60. June, 1906.**

Arguments against Municipal Ownership. F. B. Thurber.

There are two sides to most questions, and municipal ownership is no exception to this rule. There are situations in countries having a form of government different from ours, where graft is not an epidemic disease, and where public ownership and operation may be successful; but even there opinions differ. In Great Britain it has run its course, and there is a reaction in public opinion against "municipal trading," as it is called there, just at a time when many well-meaning persons in this country, as well as professed Socialists and their organs, are advocating it here.

In a country with universal suffrage, it is desirable to limit the number of public officials to the smallest possible number, for political reasons; and there are also economic reasons which apply especially to lighting, traction and other public-service

corporations which are large buyers of materials, employ large numbers of persons and require a high order of administrative ability. Indeed, water, a natural product, which runs down-hill and is distributed with a minimum of labor and expense, is about the only public necessity justifying public ownership in this country, and even in this there are exceptions.

Nothing can be truer, as a rule, than that "public-ownership waste exceeds corporate profit"; supplement this with the even more important political considerations, and thoughtful citizens may well hesitate to favor the present Socialistic fad of municipal ownership. It advocates play upon public prejudice, and claim economies for public ownership which do not exist.

Public officials where municipal plants have been established are naturally interested in making a good showing and holding their easy jobs; in many instances, their bookkeeping omits interest, taxes, depreciation, sinking-fund for renewals or improvements, and other items which a private corporation must recognize. The taxpayer is a convenient beast of burden upon which to unload deficits, and he in turn unloads on rentpayers where he can. Under public ownership, new inventions, improvements and extensions are ignored. Under private ownership, the best professional talent is employed at salaries unheard of in public employment, and all these improvements are at once utilized, giving the public an up-to-date service.

Individual initiative and energy, coupled with the cooperation of many small partners in corporations, has made this country great; and I cannot believe that the municipal Socialistic propaganda will largely prevail if the facts are properly presented to the jury of American public opinion.

As illustrative of the above points, I cite a few opinions of others, taking up first:

#### *Political Objections.*

"The Evening Post" (New York) of March 8th, 1905, in an editorial on the strike in the Subway and on the Elevated Railway, entitled "Some Lessons of the Strike," said:

"Nor can we omit to point the warning which the strike furnishes against municipal ownership of a great transport system. One thing which the infatuated strike-leaders have steadily counted upon is Mr. Belmont's political involvements. They have

repeatedly raided him in the confidence that he dared not antagonize 7,000 voters. Now, imagine the city itself—that is, a Mayor standing for reelection—running all the transportation lines. Fancy 12,000 or 20,000 motormen and conductors directly in the pay of the municipality. What demands should we not see made, what threats indulged in, what political appeals made and terrorism exerted! From what is going on in the green tree of ownership by a politician, we may infer what would be done in the dry tree of ownership by an Administration dependent on universal suffrage. We had best look twice at that fire before jumping into it out of our present frying-pan."

The "Chicago Evening Post" of September 15th, 1905, in an editorial entitled "The Bridgetender's Rake-off," shows how municipal ownership and operation work in Chicago. It said:

"As the taxpayer reads the facts and figures presented by the 'Evening Post' of yesterday regarding the salaries paid to the city bridgetenders, he will be particularly impressed by the 'rake-off' that goes to the occupants of these 'soft snaps'—the amount of money drawn from the city treasury that is not earned.

"The taxpayer who knows little about practical politics will wonder why a man should be paid \$3,400 a year to look after a bridge, pay out about half of this to have the work done, pocket the other half and devote his time to running a saloon or some other purely private matter. He will marvel that a bridgetender, who at most is nothing but a motorman, should draw several times a motorman's pay, yet do no part of a motorman's work.

"There is not a bridge in Chicago that should not be handled at an outside cost of \$3,000 a year—considering that three or four months the work of attending to bridges is merely nominal. It has been shown that one bridgetender is clearing \$155 a month out of his \$2,700 salary; another is pocketing \$1,840 a year out of \$3,400; still another is netting fully \$1,000 annually out of his \$283.33 a month.

"This is a reckless way to play with the people's money. Even the city authorities who are responsible for the salaries and the selection of the men to whom they are paid show they are ashamed of the whole 'grafting' business by their reluctance to let the people scrutinize the bridgetenders' pay-roll.

"The shameful condition so fully exposed by the 'Evening Post' should be changed without delay. The Mayor and City Council ought to join hands in a bit of reform that would be immediately to the benefit of the public treasury. The Mayor should limit the number of bridgetenders to actual requirements, and he should see that every man earns his pay. The Council should limit the appropriation for this work, so as to leave no opportunity for grafting.

"The bridgetender should be required to attend to bridges, to look after them thoroughly. He should have no time for practical politics or for running a saloon. And for this work, faithfully done, he should receive a fair salary.

"Stop this bridgetender's graft. Cut out the practical politician's rake-off. Mayor Dunne, who proposes to bring the street railroads under the same management as the city bridges, should be particularly anxious first of all to reform this especially glaring evidence of loose municipal operation."

As illustrating how persons who know only one side of a question change their minds after seeing the other side, the

following editorial, entitled "The Conversion of the Scot," from the "New York Times" of June 15th, 1905, is pertinent:

"Mr. James Dalrymple, Glasgow's managing expert of tramways, hailed and imported by the 'Lord Mayor' of Chicago and the Municipal Ownership League of New York as the high apostle of municipal-run street railways, has experienced a conversion and given his adorers a chill. His change of prospect from the fair municipal landscape of Glasgow to the political bogs and quagmires of Chicago is marked by the following two utterances, the first delivered just after Mr. Dalrymple landed and was hugged by the Leaguers in this city, the other on his way back on Tuesday *via* Philadelphia:

#### BEFORE.

"I see no reason why Chicago, or any other city in this country, should not be able to own its street railways, and to run them with as much success as we have achieved at Glasgow. I admit that the proposition at Chicago is a much larger one than the one we had to tackle, but at the bottom it is the same.

"The people of Glasgow would not go back to the old days of private ownership for anything in the world. I am not saying that a company would not do as well by the public. I know, in fact, that it could, but it would be doing so with a somewhat different end in view. For a company has always the shareholders to consider. And I have to admit that you will find people in Glasgow to-day—quite influential people, too—who say that the street-car service is not profitable."

#### AFTER.

"To put street railroads, gas-works, telephone companies, etc., under municipal ownership would be to create a political machine in every large city that would be simply impregnable. These political machines are already strong enough with their control of policemen, firemen, and other office-holders.

"If, in addition to this, they could control the thousands of men employed in the great public-utility corporations, the political machines would have a power that could not be overthrown. I came to this country a believer in public ownership. What I have seen here, and I have studied the situation carefully, makes me realize that private ownership under proper conditions is far better for the citizens of American cities."

#### *Economic Considerations.*

The experience of the City of Philadelphia with her gas-works is interesting, because she has both operated and leased them; and the results have a bearing upon both the political and economic phases of this subject.

For many years, the city owned and operated its gas-works, with the result of high prices, poor service and the gradual development of a political ring which robbed the city and practically dominated its politics. This grew so intolerable that, ten years ago, the works were leased to the United Gas Improvement Company. Hays Robbins, in an article in the "World of To-day," December, 1904, says:

"During the late seventies and early eighties, the waste and mismanagement under this [municipal operation] system became so scandalous that public-spirited citizens, notably the well-remembered Committee of One Hundred, dared the power of the gas ring and fearlessly exposed its shameful record. Professor Bryce says that this ring controlled no less than 20,000 votes, using them most effectively to prolong its corrupt rule."

The result of the lease to the United Gas Improvement Company has been to improve the service, lower the price and give the city a yearly revenue of \$650,000, as against an average yearly deficit under city management of \$239,000.

The candle-power under city management averaged 19.17; under the Company management it has averaged 22.88. Thousands of service connections which were worn out or inadequate in size to supply sufficient gas have been renewed, convenient stations for the payment of gas bills furnished, and the plant brought up to the highest efficiency.

But, while accomplishing this great gain by taking the gas-works out of politics, the city did not entirely escape the evils of municipal ring rule which developed in other directions, and has only recently been broken by another uprising of citizens. Some people have inferred that the recent political revolution in Philadelphia had something to do with the gas business, but it was only in the sense that the political ring controlling the city, needing more revenue to carry on extravagant and fraudulent public improvements which they had inaugurated, approached the United Gas Improvement Company with an offer to extend their lease, provided the Gas Company would raise \$25,000,000 for the ring to carry on the city improvements which were under way. After a long negotiation, the Gas Company consented to a contract which good judges believe would (if the money could have been honestly expended) have been advantageous to the city as well as to the Gas Company. But the abuses of the municipal ring had become such a stench in the nostrils of the community that the public revolted and the ring was smashed. So far, however, as the relations of the Gas Company to the city are concerned, they have been entirely satisfactory, and it will be a sorry day for Philadelphia if the city should resume municipal operation of its gas-works. Municipal ownership is one thing, municipal operation another.

"The Times" (London) recently indicated the result of

municipal ownership and operation in England, in a series of articles under the title of "Municipal Socialism," from which the following paragraph is quoted:

"Such was the fashion, however, in which the work was done that it was aptly described by one alderman as 'the municipalization of laziness.' There was little or no control over the men, with whom it was essentially a case of 'go as you please.' One or two members of the Council who had been builders went one day to see how a certain work was progressing, and they found that two men had been for three weeks on a job which one man ought to have finished in three days. In such circumstances as these, the cost of work went up necessarily. The work's manager estimated, for instance, that certain renovations to be carried out in the Stratford Town Hall by his department would cost nine hundred pounds sterling; but, though nothing more was done than he had allowed for, the bill came to two thousand pounds sterling."

It is natural for public officials to try to make a good showing in their accounts in order to justify themselves, and therefore many items which private corporations have to recognize are often omitted. How it works in England is shown by Mr. John Holt Schooling, an eminent authority, in the "Windsor Magazine," for January, 1905. The following is a summary:

Undertaking.	No.	Capital.	Annual Result	Claimed.	Correct Result.
Gas .....	97	£24,030,000	Gain, £394,825	Loss, £1,647,725	
Electricity	102	12,510,000	Gain, 11,707	Loss, 1,075,057	
Trams ....	45	9,750,000	Gain, 99,318	Loss, 729,432	

The department of Commerce and Labor of the United States Government has issued an interesting report upon the relative expenses of private and municipal electric light and power plants. The year covered is 1902, and the figures as follow:

	Private Stations	Municipal Stations
	Per cent.	Per cent.
Salary and wages.....	29.9	35.8
Supplies, material and fuel.....	32.6	46.2
Rent, taxes, insurance and miscellaneous...	18.2	8.4
Interest on bonds.....	19.3	9.6
Total .....	100	100

#### *Watered Stock.*

A principal grievance of the advocates of municipal ownership is that private corporations water their stock; and that this entails an additional burden upon the community. While this may be true in some instances, it is not true as a rule.

The Hon. Chas. G. Dawes, formerly Comptroller of the Currency, well summarizes the facts in the following words:

"Stock in the modern corporation represents, not only ownership, but the location of control. The stockholders of a corporation unanimously desire permanence of control in a certain set of men,

in which event they might find it impracticable to have stock issued only in an amount equal to the cash value of its property. The notion that stock is always watered to sell or to perpetrate some fraud is erroneous. The public is not necessarily injured because stock at par does not always represent an equal amount of cash or its equivalent.

"Varying values in corporation assets are reflected in the selling or market value of the stock—not by constant alterations in the stock issues themselves. Dishonest men may, and do to some extent, use watered stock to create impressions of value which does not exist; but the abolishment of watered stock would not materially hinder them. Wrong impressions and overvaluations of stock worth par or above par are created as easily as in the case of watered stock worth less than par, and generally by similar methods. Stock exchanges, through the improper manipulation of operators, are frequently used to create wrong impressions of stock values; but in such cases, and all cases, it is not the water in the stock that causes the chief trouble among unwary investors. It is the water in the prices they pay for it. And that kind of water may be found at times irrigating with remarkable impartiality purchase of stocks at all prices above and below par."

This is emphasized by the Hon. M. A. Knapp, Chairman of the Interstate Commerce Commission, who, in a paper before the American Association for the Advancement of Science, said:

"If common assertion is well founded, the body politic is afflicted with a grievous ailment which takes the name of 'trusts.' Those who diagnose this malady—and nearly every one professes ability to do so—declare that one of its worst and most aggravated symptoms is over-capitalization, or 'watered stock.' For this and other manifestations of the disorder the favorite specific just now is publicity.

"With all deference to those who advocate such publicity as a preventive of stock-watering, I venture to doubt the correctness of their contention. Indeed, my scepticism goes to the extent of questioning whether over-capitalization, as such, is a matter of real gravity, much less a portentous evil which demands an extraordinary remedy. I hold it unproved that the excessive issue of corporate securities is a source of such danger as to excite alarm, and I am yet to be convinced that enforced publicity will not be a harmful exercise of public authority.

"Leaving out the speculator, and taking into account only those seeking honest investment, ten times more money, to say the least, has been sunk in farm mortgages, suburban lots, patent rights, buying and selling grain, cotton and other commodities, where no corporate shares were dealt in or even existed, than was ever lost on account of the fictitious or excessive issue of corporate securities. If the State is to assume the function of keeping folly and cupidity from paying twice or ten times what a thing is worth, it surely would assume the guardianship of the largest numbers and the heaviest losers."

The foregoing applies to the interest of the investor as affected by watered stock. As regards the interest of the consumer of public utilities, the watered railroad carries at the same price as the unwatered, and the watered gas company sells its product at the same price as the unwatered one. There is a thought in this connection which may not have occurred to everybody, and

that is that, even if watered stock is a medium through which promoters do sometimes make profit in one way or another, are they not entitled to a profit? Would our railroads and other public utilities have been built if there had not been a profit to promoters beyond six per cent. upon the actual investment? Some men put their money, labor and time into transportation; some into real estate. Transportation made the real estate valuable. It saved time for the general public and promoted their comfort; yet the men who have grown rich through increased values of real estate are honored, and those who have grown rich through transportation are denounced as "franchise grabbers" and "public robbers." The same is true of lighting, telephone and other corporations. It appears that to grow rich through rendering the public a service is a crime, while to grow rich without such service is honorable. How many of us appreciate that "corporation" means "cooperation" and that the captains of industry, backed by many small partners (stock-holders), are doing a great work?

The advocates of municipal ownership and operation claim, first, that it would be a relief from present political corruption; second, that profits would be realized for the public which are now absorbed by corporations. I believe that political corruption under municipal ownership and operation would be infinitely greater than at present, and the expected profits would turn out losses, to be borne by taxpayers. I have stated facts and opinions in support of this belief. I could add many others if space permitted.

There is a large and growing class of citizens who believe in "a square deal" for everybody; that government should protect life, property, health and education, but that in a country with universal suffrage the number of political employees should not be unduly increased; that the line should be drawn between public ownership and public administration, that in a manufacturing or transportation business public administrative waste exceeds corporate profit, and political dangers are greatly enhanced; and that Individualism as distinguished from Socialism should be encouraged.

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Comparison of the Cost of Steam Power in Municipal and Privately-Operated Plants. John W. Hill.

During the past few months I have had occasion to collect statistics on the cost of steam power, and in support of the claim of better management by private corporations, advanced in this paper, it is found that even in the few cities having the highest type of triple-expansion pumping engines, and accessories to match, and in which the contract test and annual duties of the machinery are the best ever attained, the cost of power per year is greater than in the large well-managed steam power plants, owned and operated by the private electric and manufacturing corporations, and a comparison of statistics divided as to cost of fuel, labor, repairs and stores, show the excess cost to be principally in the item of labor. . .

In the following table, the figures represent the annual costs per indicated horse-power of prime movers: Coal figured at \$2.50 per ton, excepting Hamilton, \$2.20 per ton. City Water-Works, and Philadelphia Power, 8,760 hours; Pittsburg Power, 8,666 hours; Hamilton, 8,000 hours.

Nature of power.		Fuel.	Labor.	Repairs.	Supplies.	Total
City pumping works.....	(1)	\$15.70	\$24.62	\$5.96	\$2.74	\$49.02
City pumping works.....	(2)	17.44	25.19	5.25	2.58	51.48
City pumping works.....	(3)	16.70	24.01	1.28	2.05	44.04
City pumping works.....	(4)	16.75	21.90	1.85	1.88	42.38
City pumping works.....	(5)	16.82	26.19	1.17	1.59	45.77
City pumping works.....	(6)	21.39	15.64	9.62	1.24	47.90
City pumping works.....	(7)	18.89	...	4.14	...	50.03
City pumping works.....	(8)	27.64	26.44	9.55	5.44	69.08
New York .....	(9)	25.55	13.13	5.90	1.42	46.09
Philadelphia .....	(10)	20.51	6.61	1.52	1.32	29.96
Pittsburg .....	(11)	19.51	4.42	3.55	2.50	29.97
Hamilton .....	(12)	16.90	5.18	0.88	0.64	23.62

It is interesting to note that the total cost of power by a private corporation, No. 12 on the list, is less than the cost of labor alone in the city water-works power, Nos. 1, 2, 3, 5, and 8. The figures are from the last annual reports. The costs of labor, repairs, and supplies are not known in detail for No. 7, but can roughly be stated as \$25 for labor, \$4.14 for repairs and \$2 for supplies.

In each city pumping station, the engines considered are from the best known and highest class builders, and the water-works

profession is accustomed to point to the cities considered as examples of excellent water-works management.

The average cost of labor in the eight city power stations is \$23.62 per indicated horse-power per year for 8,760 hours, while the average cost of labor in the private corporation stations is \$7.33, or about one-third the cost in the municipally-owned and operated stations, or to state the matter in different form, the city uses three men to do one man's work.

Engineers generally recognize the modern high duty triple-expansion pumping engine as the highest type of steam power, and the service of pumping at constant speed, against a steady head, to reservoirs, the 'optimum' condition for high running duty. Moreover, the long runs of pumping engines, without interruption for Sundays are calculated to favor the annual economy, when compared with steam engines working under a constantly varying load, and, in all but traction and electric lighting stations, stopped altogether for Sundays and holidays.

The duties obtained on the trials of Engines 1 to 6, inclusive, are the highest in the history of pumping machinery, a fact well attested by the annual charge for fuel; indeed the fuel costs, on the average, are as good for the city-managed works, as for the private-managed works. But when you come to the labor charge, there is where the politician comes to the front in great shape. There could be no political advantage in being wasteful of fuel, but there is a decided advantage in future elections in being wasteful of labor. Two men can cast two ballots, and three can do better, while the coal burned in the furnace cannot vote, and there is therefore no advantage in being prodigal with it.

After allowing for the favorable conditions of modern water-works steam pumping service, even then the cost of power in the best private works is less than in the best water-works under municipal management.

Instances can be multiplied of power costs under municipal and private control which will verify the low cost for labor for private control and the high cost for municipal control. And if compared on the volume of business transacted, it can be demonstrated in almost any if not all cities that the cost per unit of

work performed or business conducted is much greater for public than for private business.

The least objectionable of public works which can be conducted by the public are the building and maintenance of sewers and sewage disposal works, the cleaning of streets and the collection and disposal of garbage, although in some large cities this work is now the subject of annual contract. Water-works, electric and gas works, trolley lines, and steam and hot water heating systems, works employing large numbers of people, and requiring skilled assistance, should be the subject of private construction and control under contract or franchise which will properly safeguard the interests of the public and prevent extortion or poor service.

Cities have been and can be robbed by public service corporations, but only with the aid and connivance of public officials. Standing alone, the public service corporations will be compelled to meet the obligations imposed on them by their franchises, and give the public the required service at fair rates. The legislature can pass laws and the city councils can pass ordinances giving away public rights, and the public service corporations may be the beneficiaries thereby, but the officials chosen by the people to represent them are the culpable parties in such transactions.

**Annals of the American Academy.** 28: 371-84. N. '06.

American Municipal Services from the Standpoint of the Entrepreneur. Chester Lloyd Jones.

The people of the United States have been said to possess great confidence in machinery. This is a characteristic quite as much of our political as of our industrial life. An example of the latter fact is the popular attitude toward public service corporations. The average man reads of monopolized industries, with their manipulations of prices and arbitrary charges for equal services, and at once looks to a new set of political machinery to eliminate the evil. He concludes that public service corporations are monopolistic in character and that the only way to cure

the abuses connected with them is to summarily abolish the order of things that made the abuses possible. When the local services are poorly managed he seizes upon accounts of the successful management of similar enterprises by public officials in distant countries and decides that the remedy is to adopt the same system at home. This attitude of mind is brought about by drawing too uncritical a contrast between what exists under widely different conditions in a foreign country and the actual management of the home services. The assumption is made that the same political machinery will work the same results at all times and in all places. Instead it should be realized that the time and place are ordinarily the elements immensely more important, and that these being in an ideal condition the method of management becomes a comparatively unimportant matter. Given perfect conditions, and the discussion of the superiority of public or private management of the public services becomes purely academic, but so long as perfect conditions do not exist there is an opportunity for an honest difference of opinion as to the relative advantages of the two methods.

In the minds of all the chief question in the management of the public services is how to secure the greatest efficiency. Putting aside, then, the purely academic question of whether public or private capital should manage public services, it becomes simply a problem of solving which of the two methods under the condition surrounding the particular enterprise gives greater promise of securing good results. Too much stress cannot be placed upon the fact that in choosing between any systems of managing the public services the community in which they are placed is an inseparable element in the problem.

It is largely from this point of view that the public service corporations in the United States claims that its administration of the public services is superior to that by public officers. It is asserted that under present conditions private management brings better net results—the claim of greater efficiency. That the government has a right to regulate the action of public service corporations is no longer a subject of dispute in the law of the United States. The right of the state to go even to the length of appropriating the services to itself in return for just payment to the owners or lessees is unquestioned, but if such action is

taken it should be dependent on the advantages to be gained and not on the basis of sentiment or prejudice.

From the standpoint of the entrepreneur public services may be divided into two classes, according to the degree of professional skill necessary to their management: First, there are those which, after the original construction is completed, require only ordinary manual labor and a fair degree of executive and clerical ability to keep them in efficient condition. Such until recently has been the character of the work of street cleaning in even our large cities. In the management of services of this character but little difference need exist between public and private operation. A fairly able manager at the head and a fair devotion to duty by the staff should produce passable results. At the other extreme stand those branches which demand a high degree of executive ability, good commercial judgment and a great technical skill to secure satisfactory results. Such are the gas and electric lighting plants and the transportation systems which have come to play so important part in our municipal life. It is very evident that the majority of our public services approach the latter class much more than the former, and it is to the consideration of such enterprises that we will chiefly turn our attention.

The entrepreneur insists that under present conditions a system of public management varies in success inversely as the complexity of the organization necessary to render the service. The chief points of superiority claimed for private management are as follows:

First, the effect of the desire of gain upon the management. It is all important to secure some force which will affect the entire administration with a desire for efficiency. Any element which fails to contribute to the sum of efficiency of the plant is a dead weight, a hindrance to the earnings of the company and lessens the quality of the service performed. The strongest stimulating influence which can be easily brought to bear upon the average man is the desire for gain. If this force can be enlisted on the side of efficiency the battle is won. There are many reasons why this is much easier of accomplishment under private management than under public officials.

The continual shifting of political parties and of the men in

influence in the same party has prevented the development in our cities of a corps of municipal employees who can feel confident that faithful work brings permanence of tenure, and that greater ability insures more rapid advancement. The disintegrating effect of short terms and insecure tenure of office is evident in all ranks of the service, from the heads of departments to the day laborers. Since the tenure of office is but for a brief period and political fences are constantly in need of repair, there is every temptation on the part of the mayor and the heads of departments under him to use the means in their hands for their continuance in office. Manipulation of the municipal patronage can be practiced without causing important protest. Even if the public services suffer in no other way from this influence, their management is bound to be in more or less constant flux from changes of party or changes within a party.

The lower officers and laborers, too, feeling that in any case their term must be short, cannot but be susceptible to the thought that while the opportunity lasts the best must be made of it. A temptation to make the most of an easy job at good pay is always present, and there is a strong possibility that the money interests of the municipality will have to suffer as a consequence. To say the least, the chance of advancement and permanent tenure being removed the feeling comes to the laborer that the position will last in any case as long as the term of office. The next election brings him an even chance of getting his work back again, but long and faithful service gives him no claim to preference. The security of his position depends rather upon his loyalty and services to the party than to the city's interests. His political activity becomes more important in his eyes than his industrial duties, and this attitude inevitably leads to a disposition to "sit down on his job."

Another disadvantage that the short term of office brings to the publicly-elected manager of the city services is that, no matter how anxious he may be to serve the municipality creditably, he hardly has time to become familiar with his duites when he is turned out of office. The branches of a large city service are so many and intricate that it would take almost a whole term for the new official to become truly acquainted with the department it was his duty to manage.

As a general rule the man elected has much less experience in management of work similar to that over which he is to preside than would a man chosen to manage a private business of the same size. Take, for example, the management of a big city gas plant or street car system. What guarantee have we that the popularly elected chief will have seen the service in the lower positions in a similar enterprise which would be required of one put in charge of a like concern privately managed? We are not here concerned with the question of whether or not the public can ever be impressed with the necessity of electing experienced men to manage their public services, but simply with the *fact* that the history of American municipal enterprises does not prove that they regularly do so, while the history of privately managed services shows the adoption of that practice.

The public officer has generally less technical training than the one selected under private management. The very circumstances of American municipal politics at the present time, where the salaries of the offices and the patronage connected with them constitute the chief legitimate reward for political service, make it highly improbable that the more important offices connected with the publicly-managed enterprises will be given to men who have not taken an active part in securing the success of the party in power. This so narrows the number of men specially fitted by education who are also apt to be selected for the offices by the political party as to practically eliminate the class entirely. Further, the really first-class man would not only be thus debarred, but as a rule would not accept the position if offered because of the better opportunities obtainable in the field of private enterprise. Under these conditions the public services must operate at a disadvantage. It means that as a rule the man who is at the head of the work is not a master of the technique of operation in his department. He must rely upon his subordinates for advice and information which he should himself be in a position to give. He cannot see so clearly what should be done, and adopt a firm and consistent policy to carry it out.

These are the disadvantages of public management when the heads of departments are chosen directly by the people. Appointment by their political representative, the mayor, or election by councils or by a combination of these methods, has much

the same effect. A greater independence of selection may sometimes be obtained, but the controlling influence is more apt to be politics than efficiency. Even if the appointed officer wishes to maintain an independent attitude, to carry on the operations of his department on strictly business principles and to keep his selection of employees free from any but industrial considerations, he can hardly expect to carry out these plans. Councilmen will unfailingly urge upon him the employment of this man and that, regardless of whether additional help is needed or not. The temptation to create a position for such an applicant or to discharge some one not possessed of political support is great. The head of a department knows that his plans for keeping up a high standard of efficiency are first and last dependent upon receiving adequate appropriations from councils. To get out of sympathy with the representatives would be to antagonize the very body upon whom he must depend for his resources. He is thus placed between two fires—he must choose between allowing politics to enter into the management of his labor account or he must run the risk of creating hostility or at least lack of interest on the part of councils. As a rule the head of a department chooses what he considers the lesser of the two evils and surrenders his labor account to exploitation. The door once opened, it is almost impossible to check the advance of politics, and the would-be impartial director finds himself forced into the active campaign. This picture is not an exaggeration, as is proven by the experience of many cities. In practice we find that the appointive head, though he may often have the advantage of experience over the officer directly elected works under no less a disadvantage than he. The management of the Philadelphia gas works illustrates the case. Though the chief was appointed and at first made a show of independence, his forced reliance on councils soon reduced the department of gas to a mere wheel in the machine.

Providing that the management of city services is under the charge of boards elected for so long a term as to constitute practically permanent bodies a greater independence of action may reasonably be expected from the members, but the appointments are still bound to be sought by and as a rule, given to the men who have rendered yeoman service to the party rather than to those who have the best experience and technical training.

The limited possibilites in the way of salary remain the same as where the officers are elected. Even granting that the officers are well qualified when elected or appointed to the permanent board they have not the same incentive as when working for a personal employer. The loyalty to the municipality is not, with notable exceptions, as keen as the loyalty to the private employer. The officer is almost sure to hold his position for the full term even if no great efforts for improvement are made, and that fact—all unconsciously, perhaps, but none the less surely—lessens his efficiency as compared to the man who realizes that his position and advancement depend upon his best efforts every day and his being up with the times in his plans for extension and improvement.

Even when the head offices are filled by the members of a permanent board there still may remain the management of the employment list on the spoils principle. This of course means that the larger portion of the service is left under the same disadvantages as before described. These, in brief, are the conditions which put the personnel of a publicly managed city service under a disadvantage as compared to private enterprise. In order to bring the two more sharply into contrast, let us review the similar points as shown in an average private corporation. Here, again, the comparison is not between what should be and what is but is based on present conditions in the United States.

Those at the head of the private company are responsible to the stockholders much more directly in fact, however it may be in theory, than are our public servants to the people. They have greater reason to believe that their offices are permanent during good behavior. Efficiency is the chief claim to permanence of position and exceptional ability is rewarded by rapid advancement. No time is wasted in non-industrial pursuits, such as caring for the party fortune in the employee's own ward.

Secondly. Experience and technical training are at a premium and are definitely sought after from first to last. The salaries are higher than in public enterprises where the officer's responsibility is the same.

Thirdly. There is continuity of policy. The company cannot be carried along on any but sound business principles. The consciousness of the permanence of the interests involved makes the

directors less prone to adopt a policy which would temporarily bridge over a difficulty at the cost of increased expenditure later on. There is no temptation to conceal the state of affairs "until after election," as must often be the case where party interests clash with those of the public industries.

Besides the disadvantages connected with the personnel of management and operation there are other limitations of municipal administration. In the management of the finances of the public services the city is distinctly handicapped. The administration of any large corporation is subject to occasional demands for large amounts of money which cannot always be foreseen. Such are the unusual expenditures caused by accidents or the necessity of making an important addition to the plant at once. To meet such a condition is difficult for most of our cities. An emergency fund large enough to cover such demands would prove too easy a source of income to be placed in the hands of the ordinary authorities. Such a practice would soon lead to appropriations for "extraordinary" purposes which would come to be counted upon as a regular source of income for the department.

To make the appropriation rest on special action of councils also would be a possibility, but would not be entirely satisfactory. Councils are not always easily convinced of the advisability of an expenditure even when it would appear an imperative necessity to even the casual observer. Reluctance to incur the criticism through running up the tax rate or desire to spend the available money on some more brilliant but less necessary project has defeated many excellent and imperative improvements and extensions in publicly managed city services. Even if councils realize the advantage or need of certain changes it may be impossible for them to grant the money, though they wish to do so. Many of our cities also have already reached the statutory limit of indebtedness and it would be impossible for them to raise the money needed to meet any largely increased demands upon their treasuries. Thus the improvement, though it might be all important to have it made at once, would have to be postponed until the legislature could, by special act, allow the city to increase its indebtedness. Whatever method of solution is adopted it seems clear that the city is at a distinct disadvantage in meeting unusual demands

which may be made upon it for maintaining its public services at their highest efficiency.

A private company in a similar position experiences no such hindrance. A good financial risk can easily secure immediate command of capital, and does not have to go before a local or state legislature where conflicting interests may delay if not defeat the needed appropriation. The financial interests of those managing the company also prompt them to be on a keener lookout for any unusual demand which may be made upon them. They hold a better chance of foreseeing the necessity for extensions, alterations or improvements, and have better facilities for meeting the situation when it comes.

Much of the writing denunciatory of private management of public services is based on the evil effects of the influence of corporations in politics. Many would be willing to concede the superior efficiency of private management in general, but insist that all the advantages gained through such administration are much over-balanced by the corrupt practices due to intrigues in the local legislative bodies. The evils connected with attempted franchise grabbing are so great, it is asserted, that the only way to abolish these influences is to effectively take the services out of politics by putting them under public management absolutely. Such arguments are based on the assumption that political influences are removed by delivering the services into public control. Politics are to be removed by placing the management in the hands of politicians. Thus stated, it becomes clear that the adoption of control by the public does not necessarily mean all it seems to indicate. As a matter of fact, under present American conditions, politics are a permanent factor in the management of public services whether under private or public operation. The patronage wielded by public officers is no whit less an important factor in local politics than that exerted by the franchise-holding companies. Beyond a doubt such influence is baneful—and in the one case quite as much as in the other. Whether we shall be able to develop laws and a public opinion which will eliminate these influences is still a question for the future. Our course of action for the present must be planned with a frank recognition of the existence of such influence and the object of reducing it to a minimum. No one who considers the situation carefully would

assert the presence of political influence in the one case and deny it in the other. The best interests of the community demand that whatever system of management be chosen that politics be eliminated. For the good of the corporations also it is beyond doubt to be desired that they should confine themselves wholly to industry. Under present conditions the temptation to enter politics for the defense of their interests is in many cases almost irresistible. Oftentimes these interests may be legitimate and need defence only due to the general prejudice against the management of businesses affected with a public interest by private individuals.

This state of affairs is most unfortunate both for the public and for the entrepreneur. On the one side it produces an acute distrust of all companies making proposals to do public work. Every proposition is attached as if it were an attempt to legalize the stealing of public money. The representatives of the people are often prejudiced and unable to consider the purely industrial side of the enterprise in question. Instead of attempting to attract capital while fully protecting municipal interests, they are apt to approach the granting of a franchise in a hostile attitude, and often insist on useless stipulations which are an expense to the company and of no advantage to the community. As an example of such specifications may be cited the requirement made by one of our largest cities that service pipes for gas must be put in every sixteen feet. When it is remembered that such services often, as in this case, extend for long distances along parks and undeveloped districts the regulation appears ridiculous as well as useless.

The lack of sympathy between the public and its servants has an equally bad effect upon the attitude of the latter. Realizing that the spirit of many of those from whom they must get their rights is one of hostility and unreasoning prejudice, they assume the stand that unfair measures may be used to overcome unfair treatment. Once the field has been entered, there is the temptation to extend the company's activities beyond the defense of their legitimate interests to the securing of special and questionable privileges. The influence used to prevent prejudiced or "hold-up" legislation may easily be continued to deaden the convictions of would-be honest representatives. Examples

of the use of corporate influence in this way fill all too many pages of the history of American municipal councils. The general result of such a state of affairs is mutual distrust and recrimination.

It must not be supposed, however, that by removing the public services from private management all evils connected with their administration will be at an end. Our American experience demonstrates quite the contrary. The only definite change which necessarily results is the transfer of the influence exerted by the private companies into the hands of the local politicians, an alternative by no means insuring improvement. It is not to be expected that in a country where the rewards of office are the most important object of political struggles, rather than any honor or social position attached thereto, that the large patronage offered by the payrolls of the publicly managed municipal services would not prove a prey to the ward politician. The chance to secure "jobs" with liberal pay at public expense for the political and personal friends of the successful candidates is too tempting to be resisted. It may, of course, be argued that an efficient civil service would put all the positions of this character out of the reach of the politicians. That is doubtless possible, but the creation of an effective civil service law for the management of the present public positions should be a prerequisite before the city should embark on new and expensive departures in municipal industries. When the cities show the willingness and the ability to create a truly efficient civil service the field may not be so difficult for public administration of the public services, but until such a move is not only advocated but carried out in good faith, any increase in the activities of a city only opens a longer payroll for exploitation by the "boss."

This fact is so patent in the history of American municipal industries that it is worth while to illustrate it from one of the most conspicuous examples—the notorious experience of Philadelphia in the management of her own gas works. Hardly a branch of this now famous experiment failed to show signs of exploitation for political ends.

The first account to be attacked was, of course, that promising the greatest number of positions to clamoring political dependents. This was the labor list in the manufacturing and

distributing departments. High wages were paid—twenty-five per cent over the price for labor on the open market. The chief of the gas bureau was constantly besieged by the friends of various councilmen in search of easy work at high prices. The lists were padded with a number of laborers far beyond the actual needs of the plant. So many were there indeed that it is asserted that had all the employees been stood shoulder to shoulder, room could not be found for all of them at one time on the grounds of the plant. Naturally, under such conditions there was shirking of work on all sides, and some favored ones turned up at the works, it was said, only on pay day. The amount of work each had to do varied in accordance with the influence of his friends in councils. Receiving these easy jobs from the political boss, the employees were in turn exploited by him by means of semi-annual "voluntary contributions" to the party in power.

The purchasing and selling accounts were likewise abused. Coal was bought from favored firms only, the residual tar and ammonia always went to a single firm, though nominally sold to the highest bidder. In practice there was but the one bidder. When another bidder on one occasion put in a bid higher than that of the regular contractor the award was not given him "because he did not have the facilities for handling the product." The coke was disposed of through a member of select council. The charges entered under the blanket account of "miscellaneous" exceeded \$100,000 a year, and there were large amounts charged against such accounts as "ice," "matches" and "drugs and horse medicine."

The works were exploited indirectly also. Councils were anxious to cut down all appropriations for improvements and extensions in order to turn as large an amount as possible into the treasury as "profits of the works." This would enable them to keep down the general tax rate and have money for more favored plans, but it had a disastrous effect upon the general condition of the plant. Small and rotten mains and service pipes were left unrenewed, thus causing a leakage in some years of as much as thirty per cent of the gas manufactured. Antiquated machinery was kept in use through the refusal of councils to put in modern appliances—a practice which cost the city in wasteful methods of

production far more than would have been the cost of new apparatus. Councils even went so far as to cut down very materially the use of the gas for public lighting. In the place of the public gas lamps light was bought at high prices from gasoline and electric lighting companies. These were private concerns in which councilmen and others prominent in local politics were interested.

In a word, the management of almost every branch of the public gas works was dictated by politics. Not only the heads of departments, but every employee from the top to the bottom of the labor account threw his whole influence into political affairs. The tenure of the party in power marked the tenure of office of the employees. Such was the experience of Philadelphia in the management of a municipal industry.

It is not contended that this is in all respects a typical case and that the same thing would occur in every detail in all our American cities did they undertake similar services. That such is not the case is proven by the experience of some of our cities in similar enterprises. But the example is given to show what has actually occurred in one of the most important experiments in municipal ownership in America. The circumstances of other American cities are not so different as to overthrow the presumption that the possibility of similar abuses exists there also, though not perhaps in the same degree as in the above instance. The example is given only to drive home the argument that under present conditions it is entirely possible for politics to play quite as large a part in the management of public services when under public as when under private control.

This being the actual state of affairs, the important question to be answered is: In which way can the connection of the public services and politics be more easily minimized. If public ownership is to be chosen radical measures must be adopted to remove all control of the municipal industries from possibility of political interference. To widely extend the functions of city government, thereby increasing the temptation to abuse of patronage, seems in itself to introduce an element making it increasingly difficult to keep a civil service system on a strictly non-partisan basis.

The other alternative is to elect representatives of such character as to command public confidence and who will be able to

guard the city's interests in making arrangements with contracting companies. Each of these methods carries with it the possibility of honest management. On the point of integrity there would be little to choose between the two, carried on under ideal conditions. Improvement over present conditions must in either case come through raising the character of the representatives. A simple change from one set of machinery to the other will accomplish nothing.

The point then is: Is it easier to elect men who will be judges of a fair contract or men who will be able to run our municipal industries at a standard of efficiency equal to the average of private management. The former seems much more easy of attainment than the latter. The chances of our getting by popular vote a man with intelligence to determine the provisions of our contracts seem much greater than our chances of getting men specially suited by experience and education to carry on our municipal industries. The average man can choose work for the carpenter to do and judge the work when done much better than he can do the work himself. Similarly, the average representative can choose the terms upon which the city will have its work done and can judge whether it has been done according to the agreement much easier than he can carry out the plan himself. If the representatives of the people cannot be trusted to make fair terms with a contracting company how can they be trusted with the entire management of an industrial enterprise?

There is but one limit to the power of the public to regulate the conditions upon which they will give the public services into the hands of private companies—a fair return to capital. What is a fair return is, again, largely settled by the conditions offered in the contract. If the agreement is so strict as to make it impossible to raise the earnings of the company above the average of industrial undertakings in the community then it is clear that the city must hold itself ready to guarantee that the earnings *shall reach* that standard. Otherwise capital will of course refuse to take up the project. In case the municipality, on the other hand, does not care to assume the chance of loss by the company it must be prepared to grant a larger possible rate of return in exchange for its freedom from liability.

Within these limits the city may take all necessary measures to protect its interests in its public services. The more clearly the city evinces its desire to guard its own interests and at the same time to grant to the private company a reasonable rate of income and to protect it from unreasonable interference with that income, the less will be the desire and the temptation of the company to interfere with local political affairs.

Such an agreement would secure to the city all the advantages claimed by the advocates of municipal operation without the increased responsibility of direct management. A municipally-operated plant would in any case withdraw from other branches of industry the same amount of capital as would be employed in the enterprise by a private corporation. The interest on that capital must in the one case just as surely as in the other finally be paid by the community at large.

The choice between the two methods of operating the municipal services must depend not on what may be accomplished under *ideal* conditions, but upon the likelihood of efficiency under *present* conditions.

Under American conditions to-day, then, the entrepreneur would maintain that:

1. The direct responsibility present under private management makes it possible for a higher degree of efficiency to be obtained than under public operation.
2. The stimulus of gain can be made a more powerful element working for efficiency in all branches of operation under private than under public control.
3. The influence of politics upon the public services can be lessened more easily by having the representatives determine the terms upon which the city services shall be let out under contract than by turning the entire administration of the services over to the representatives.
4. By the granting of contracts clearly safeguarding both the interests of the city and the investor the management of the public services may be brought to the highest degree of simplicity, economy and efficiency.

**Journal of Commerce.** July 16, 1907.

Main Question in Municipal Ownership.

The chief motive of men in this age is that of self-interest in one form or another. It is not only natural but indispensable to success and progress and needs only to be guided by sound principles. In the expenditure of capital and the exertion of enterprise, skill and economy in any service to the community, and all industry and business is in some sense a service to the community, the main incentive is profit or compensation dependent upon the efforts of those concerned. Men do not exert themselves for nothing, or for their health, but for gain. In providing a direct service like that of furnishing light, electric power or transit facilities which is in its nature a commercial business, the main question is whether men will do it better with their own capital and under their own management, with the incentive of gain for themselves, or by the use of capital supplied from the public treasury, under the direction of public officials with fixed salaries for themselves. Will the public officials nominated by political organizations and elected by popular vote be best qualified to exercise control over the business, and will the men employed by them and subject to their authority be those most capable for the work? Under which condition here suggested are men of special ability, of energy, of experience and mastery in the business, more likely to be engaged in it? Under which is there more likely to be alertness in extending the business to meet every demand, in adopting improved methods, in economizing cost and increasing results? Reason and experience give the same answer to these questions.

No doubt private self-interest in this service needs to be under restraint and regulation and prevented from making illegitimate gains or rendering inadequate service, but its motives cannot be dispensed with without paralyzing the main springs of action in a business requiring expert ability, sustained effort and vigilant direction, such as no political system with which we are acquainted will afford. If the public is to furnish the capital and the credit and take the risks of gain or loss, while the men in charge of the service have no direct stake in it, are not chosen for their

experience or fitness and are paid without reference to results, it stands to reason that the practical results will prove costly and unsatisfactory, and experience has verified the dictates of reason in this respect. There has been corruption in obtaining franchises by men seeking the privilege of employing capital and energy in providing these public utilities, but the opportunities and the temptations for corruption would be vastly greater if that business were made the object of political quest and political control. The scandals of the franchise abuses would pale into insignificance in comparison with those of municipal abuses with millions of money and great forces of workmen at command, and the practical and financial results would be more deplorable and more difficult to remedy than those we are already burdened with in the administration of city affairs. No large city in this country has yet gone far enough to demonstrate this, but every step has tended that way. Private enterprise and the motives that give it force need everywhere to be under the restraint of the law to secure rights and prevent wrongs, but it is the most effective power we have, and every effort to displace it with officialism and socialism tends to degeneration.

**Review of Reviews. 36: 594-8. November, 1907.**

How Boston Solved the Gas Problem. Louis D. Brandeis.

While this investigation (National Civic Federation) was proceeding, Massachusetts entered, in connection with the Boston gas supply, upon an experiment, new in America, which may lead to the best practical solution of the public-utilities problem. The new Boston system creates substantially a partnership between the public and the stockholders of the gas company,—a partnership in which the public will secure an ever-increasing share of the profits of the business.

*Twenty Per Cent. Reduction in Two Years.*

This system has already given to Boston 80-cent gas, although Boston is located many hundred miles from the mines which supply its coal. Eighty cents is a lower price for gas than is

actually enjoyed by any other city in the United States, except a few within the coal and oil region, like Cleveland or Wheeling, and Redlands and Santa Ana, Cal. Even in those cities the price is not lower than 75 cents,—a price which Boston may reasonably expect to attain soon. For, during the two years ending July 1, 1907, four reductions in price each of 5 cents have been made. To have reduced the price of gas 20 per cent. during that period of generally rising prices in labor and materials is certainly a notable achievement. The most recent reductions in price were the wholly voluntary acts of the company, made under wise laws framed in the interest both of the public and of the stockholders. The saving to the gas consumer by these reductions was in the first year \$265,404.55, in the second year \$565,725.60, and will be in the third (the current) year about \$800,000.

*Earnings Unimpaired; A Comparison With New York.*

That this saving to the consumer was not attained by a sacrifice of the interests of the stockholder may be inferred from the market price of the stock of the association which controls the gas company. In the two years following the legislation of 1905, a period in which most other stocks depreciated largely, the common stock of the Massachusetts Gas Companies rose from 44½ to 57½; and even in the severe stock depression of late September, 1907, this stock was firm at 52.

Compare with the results of the Boston experiment the attempt in New York City made at about the same time to reduce the price of gas from \$1 to 80 cents by legislative fiat and the compulsory orders of the State commission. The New York company contended that the law was unconstitutional; the federal court issued an injunction; the consumer still pays out \$1 for each 1000 feet of gas; and the market price of the stock of the Consolidated Gas Company of New York fell during the same period of two years from 200 to 118, and in late September, 1907, to 96¾.

But Boston has reaped from the sliding scale system as applied under President Richards' administration of the company far more than cheaper gas and higher security values. It has been proved that a public-service corporation may be managed

with political honesty, and yet successfully, and that its head may become a valuable public servant. The officers and employees of the gas company now devote themselves strictly to the business of making and distributing gas, instead of dissipating their abilities, as heretofore, in lobbying and political intrigue. As a result, gas properties which throughout the greater part of twenty years had been the subject of financial and political scandals, developing ultimately bitter hostility on the part of the people, are now conducted in a manner so honorable as to deserve and to secure the highest public commendation.

*Moderate Capitalization.*

The aggregate outstanding securities of the constituent companies had a par value of only \$15,124,121 (of which \$9,309,600 was stock and \$5,814,521 funded debt). But when, in 1904, application was made under the act to fix the capital, the companies claimed that the properties had recently cost the then owners over \$24,000,000, that their replacement value was about the same amount, and that the fair value for capitalization should be not less than \$20,609,989.99. The Public-Franchise League, on the other hand, contended that substantially any excess in value over the \$15,124,121 represented not contributions by stockholders, but accumulations from excessive payments exacted from gas consumers; that in the reorganization of the business such value should not be capitalized; and that the Consolidated Company's capital stock should therefore be limited to the aggregate of the capital of the constituent companies then outstanding, plus such additional amount of stock as it might be necessary to issue at its estimated market value (which was above the par value) to provide funds for paying off all existing indebtedness. The League deemed the retention of the original capital so augmented of fundamental importance, mainly because the payment of a high rate of dividend on a small capital issue would tend to keep the public vigilant.

After a long and bitter struggle the gas companies, acting under the enlightened and able leadership of Mr. Richards, agreed, in 1905, with the Public-Franchise League upon legislation which provided that the capital of the consolidated company

should be limited to the aggregate par value of the outstanding stock and funded indebtedness of the constituent companies, to wit: \$15,124,000; that the maximum price of gas in Boston should be reduced to 90 cents within twelve months after the consolidation was affected; and that the Governor should appoint a commission to consider and report to the next Legislature whether the adoption in Boston of the so-called London sliding-scale system for "the automatic and interdependent adjustment of the price of gas to consumers and the rate of dividends to stockholders of gas companies" was expedient. The favorable recommendation of the minority of this commission, Messrs. James E. Cotter and Charles P. Hall, was supported by the Public-Franchise League and the gas company, and on May 26, 1906, the Sliding-Scale act received Governor Guild's approval in spite of the strenuous opposition of both conservatives and radicals.

*The Principle of the Sliding Scale.*

The Boston Sliding-Scale act, which embodies with some modifications the main provisions of the system widely used in England, provides as follows:

*First:* Ninety cents per 1000 feet of gas (that is, the maximum price then actually charged by the Boston company) is made the "standard price" of gas.

*Second:* Seven per cent. (that is, 1 per cent. less than the dividend which was then being paid by the Boston company) is made the "standard dividend."

*Third:* The company is prohibited from paying more than 7 per cent. dividend unless and until one year after it shall have reduced the price of gas below 90 cents, and then may increase its dividend at the rate of 1 per cent. for every 5 cents reduction in price of gas.

*Fourth:* New stock can be issued only with the consent of the Gas and Electric Light Commissioners and must be sold at auction at such minimum price and under such other conditions as the commissioners prescribe.

*Fifth:* Provision is made for determining annually, and publishing in detail in the newspapers, the cost of manufacturing and distributing gas.

*Sixth:* After the expiration of ten years, the Gas and Electric Light Commissioners may upon petition "lower or raise the standard price per thousand feet to such extent as may justly be required by reason of greater or less burden which may be imposed upon the company by reason of improved methods in the art of manufacture, by reason of changes in prices of materials and labor, or by reason of changes in other conditions affecting the general cost of manufacture or distribution of gas."

*Efficiency in Management Sought.*

The League therefore urged that the possibility of a large return upon capital offered under the sliding-scale system should be regarded merely as an incentive to securing for the gas business the kind of management most likely to produce and distribute gas at the lowest possible cost, and thus supply an essential prerequisite to cheap gas. Protection against corporate abuses demands for gas companies strict supervision and publicity. Fairness demands that proper compensation be made in some form for the use of our streets. But no self-sustaining system of supplying gas can give to the people cheap gas unless it rests upon high efficiency in management.

The gas business has many of the characteristics of both manufacturing and merchandising. Like other manufacturing businesses, it produces an article for sale. The cost of its product is dependent largely upon the character and condition of the plant; upon the extent to which labor and waste-saving devices are adopted; upon the skill with which raw materials and supplies are purchased and waste or residual products are disposed of; and whether the plant is operated to its full capacity.

To an even greater extent than in most mercantile businesses, the pro rata cost of distribution of gas is dependent upon large volume. The distributing plant requires an exceptionally large investment. But the mains or pipes are rarely used to their full capacity. The interest, depreciation, and maintenance charges are the same whatever the volume of sales. The inspection of meter, and many other charges, increase but slightly with the increase of sales. The pro rata cost of distributing gas diminishes largely, therefore, with the increase in the quantity sold. But, as in most mercantile businesses, the quantity of gas which can be sold in

any of our large cities is dependent mainly upon the skill, energy, initiative, and intelligence with which the business is conducted. The demand for gas is not a fixed quantity. There is, undoubtedly, a minimum quantity which will be used under almost any conceivable circumstances. But limits can scarcely be set to the possible increase of its use in our large cities. Not only is there an ever-growing demand for intense artificial lighting of public places, stores, and residences, but there is an almost limitless field now occupied by electric light, coal, and oil, of which gas is the natural competitor. The limits of the use of gas in any city, therefore, will be set mainly by the skill, energy, and initiative of those who manage the business, and by the extent to which they appreciate the fact that increased use of gas will result from reduction in price, bettering of appliances, and improving facilities.

A management possessing the requisite ability and skill for such a business and which would exercise the requisite vigilance and energy may be best secured by following those lines upon which the remarkable industrial advance of America has proceeded, the lines of intelligent self-interest. Those who manage our gas companies and other public service corporations should be permitted, subject to the limitations stated above, to conduct the enterprise under the conditions which in ordinary business have proved a sufficient incentive to attract men of large ability, and to insure from them their utmost efforts for its advancement. These essential conditions are:

- A. The right to enjoy a fair share of the fruits of successful effort.
- B. The opportunity of devoting one's whole efforts to developing the business.
- C. The probability of pursuing for a reasonable time without interruption such business policy as may be adopted.

*Journal of Political Economy.* 14: 257-314. May, 1906.

Municipal Ownership in Great Britain. Everett W. Burdett.

#### *I. Is It Successful?*

For the purposes of this article I shall assume that, in the generation and supply of electricity for lighting, the municipalities

of England and Scotland have, upon the whole, been measurably successful in furnishing a fair article at a fair price. Taking all the figures together, Mr. R. S. Hale, of Boston, a competent statistician and engineer, after careful consideration, concludes that there has been a difference in favor of the consumer in the results which have been obtained from the municipal, as contrasted with the private, supply of electricity for lighting—a difference, however, which is not so large as not to be creditable to the companies, in view of the handicaps under which they have been obliged to operate, to which I shall presently allude. Moreover, with the exception of metropolitan London, practically all of the private plants are in very small cities, while the great bulk of the municipal plants are in larger cities.

Another fact to be borne in mind in this connection is that, in some important instances, the showing which municipal plants have been able to make has been materially assisted by the circumstance that the going plants and business of private companies have been taken over by the municipalities, which have thus reaped the benefits of individual initiative and development. This is conspicuously true of Leeds (population 390,000 in 1896) and Liverpool (population 517,951 in 1896).

But the success of municipal undertakings in the supply of electricity for light has been confined to the single feature above named, and has resulted solely to the benefit of comparatively few consumers, and not to that of the general public. It has likewise been accompanied by failures in other directions, to be presently mentioned, which more than counterbalance the single favorable feature above referred to.

There is nothing to show, and there is no reason to assume, that the electric supply in Great Britain could not have been furnished by private companies as satisfactorily and as cheaply as has been done by municipalities, if they had had the opportunity. Where (in a very few instances) they have had such opportunity the results have been about the same or better; and if there are any differences against them, they are amply accounted for by the differences in conditions under which private and public lighting enterprises are by law conducted in Great Britain.

*II. Detrimental Consequences of Municipal Ownership.*

If it be assumed that the public supply of electricity has been successful in the single particular above referred to, it has been attended with other consequences of a most detrimental character.

**I. HAMPERING AND RESTRICTION OF THE INDUSTRY.**

The first, and perhaps the most serious, of these consequences has been the undoubted hampering and restriction of the growth and development of the electrical industry, as a whole, in Great Britain—resulting, as I shall presently show, from the peculiar manner in which the laws applicable to the subject have favored the municipal and discouraged the private exploitation of the industry.

The backwardness of the development of the electrical industry, as a whole, in Great Britain is, I think, practically admitted on all sides; if not admitted, it is readily demonstrable. So serious was this state of things that in 1902 the Council of the Institution of Electrical Engineers of England appointed a committee "to determine whether they can recommend the council to take any action, and, if so, what action, that would assist the industry." The inquiry was based upon facts set forth in a paper written by Mr. W. L. Magden, published in the *Journal of the Institution of Electrical Engineers*, 1900. The Institution of Electrical Engineers was composed of men connected with both public and private electrical enterprises, seeking only an enlargement of the field, however that result might best be brought about, including such eminent men in the profession as Professor W. E. Ayrton, F. R. S., Major P. Cardew, R. E., Lieutenant-Colonel R. E. Crompton, C. B., Mr. S. Z. Ferranti, Professor J. Perry, F. R. S., Mr. A. Siemens, Professor Silvanus P. Thompson, F. R. S., and others. Their qualifications to pass upon this subject amply appear from the proceedings of the committee, which were published by the Institution.

After taking the evidence of various people competent to speak upon the subject, including both those in favor of as well as those opposed to the municipal operation of electric-lighting and tramway plants, the committee reported:

That, while taking divers views of subsidiary questions, the witnesses were practically unanimous in their conviction that electrical enterprise has not attained the stage of industrial develop-

ment in this country which might fairly have been expected, having regard to the many favorable natural conditions, and having regard also to the achievements of British capital, labor, and inventive genius in so many other branches of the mechanical arts.

And among the resolutions adopted by the committee (March 25, 1902) was the following:

That, notwithstanding that our countrymen have been among the first in inventive genius in electrical science, its development in the United Kingdom is in a backward condition, as compared with other countries, in respect of practical application to the industrial and social requirements of the nation.

These conclusions are amply borne out by the facts in evidence, and others which are readily obtainable. The most striking and convincing figures were submitted by Mr. Philip Dawson, E. E., found on p. 183 of the report. They included the following:

COMPARATIVE APPROXIMATE FIGURES AS TO ELECTRIC LIGHTING, POWER, AND TRACTION, 1901

Country	Station Kilowatts Available for Lighting and Power	Station Kilowatts Available for Traction	Miles of Single Track Electrically Equipped	No. of Electric Cars Running	Total Electrical Station Capacity in Kilowatts	Population of Country	Total Approximate Capital Invested
Great Britain .....	200,000	50,000	900	2,600	250,000	40,000,000	\$35,000,000
Continental Europe	400,000	154,600	5,000	9,800	550,000	350,000,000	85,000,000
U. S. of America.	1,200,000	860,000	21,000	68,000	2,000,000	70,000,000	200,000,000

Thus it is seen that the United States, with less than double the population of Great Britain, has six times the amount of apparatus installed for furnishing electric light and power, sixteen times as much for electric traction, twenty-three times as many miles of electric railway, twenty-six times as many motor cars, and five and one-half times as much money invested in such enterprises.

## 2. DISCOURAGEMENT OF PRIVATE INVESTMENT.

The limitation of the industry above described has resulted not only in postponing, and in some instances, in excluding, a supply of electricity for lighting and for traction in a large number of cities and towns, but also in the limitation of the investing classes interested in the development of the industry, and in the minimizing of the number and importance of the establishments

for the manufacture of the electrical machinery and apparatus which would have been necessary in case of larger development. The latter feature of the situation is strikingly illustrated by contrasting it with the enormous size and importance of such manufacturing establishments in the United States and Germany.

An Englishman has well said:

The idea of thrift should be encouraged as far as possible. It is of immense national value. . . . The possibility of small investment, and thus an important inducement to thrift, is greatly diminished by the municipality indulging in business which would be carried on otherwise by associations of individuals who would raise capital from the community generally by shares.

Without private capital and skill new industrial enterprises do not receive that impetus and development which they otherwise would. Public officials do not invent, exploit, or develop new things, but leave the field of discovery, initiation, and development to private persons actuated by the hope of large rewards.

Whatever may be the result of the prosecution by the public or its representatives of an enterprise which has been founded and put on its feet by individuals, it is doubtful if any case of successful municipal initiation of such an enterprise can be cited. Individual initiative is always necessary. Sir Richard Webster, then attorney-general of England, called it "the absolute necessity of inventive competition." Water supplies, gas supplies, transportation, electricity, even in England, all owe their initiative to private enterprise. Only twelve important towns in England built their own water-works. Gas supply was in private hands exclusively at first, and it was nearly or quite fifty years before it went largely into the hands of municipalities. Most, if not all, tramway undertakings which are controlled by municipalities today were originally established by private enterprise and subsequently taken over by public authorities.

The same is true of electricity. The towns and cities with gas plants on their hands were literally forced into the supply of electricity to head off private enterprise. But, notwithstanding this, private enterprise started electric companies in London, Liverpool, Sheffield, Birmingham, Nottingham, Newcastle, and other principal towns in England.

### 3. INADEQUATE DISTRIBUTION OF SUPPLY.

The third particular in which municipal supply has worked

badly in Great Britain is the inadequate distribution of the supply in places where supply has been undertaken. This has resulted in the accommodation of the few at the expense of the many. The non-consumer (who is legion) gets no benefit; the consumers (who are comparatively few) get all the benefit. I take it to be an indisputable economic proposition that the character of a public service is to be judged of by its extent quite as much as by its cost. It is better service, for example, to supply 100,000 people with dollar gas than to supply 10,000 or 50,000 of the same people with 50 cent gas; or to furnish railway facilities to the larger number at 5 or 6 cents, than to the smaller number at 3 cents. Unless public service is available to the greatest possible number, it fails to just the extent that it is not so available. This is strikingly shown, with respect to electric-lighting service, in the number of lamps installed and the number of customers supplied in five characteristic cities in England and Scotland, as contrasted with three principal cities in the United States, by the table on the following page. The figures given are the nearest approximation possible from the available data. The total installation in each case is converted into its equivalent in sixteen-candle power lamps.

It thus appears that the private company in Boston alone has almost as many lamps installed as the total number in the two principal cities of Scotland and three of the principal cities of

City	Population Supplied	No. of Lamps Installed, 16 C. P.	No. of Customers
Glasgow .....	760,423	403,000	9,324
Edinburgh .....	316,479	336,000	7,129
Manchester .....	543,969	300,000	5,171
Leeds .....	428,953	154,000	3,988
Birmingham .....	522,182	113,000	2,374
Total .....	2,572,006	1,306,000	27,986
Boston .....	573,574	1,114,000	15,136
New York .....	2,050,600	2,846,700	50,000 plus
Chicago .....	1,698,575	1,500,000	

England, outside of London, put together; and is supplying more than half as many customers as those five cities combined. Indeed, the number of customers supplied in Boston is almost

as large as the total number of customers of the public plants in Edinburgh and Glasgow combined. With a population supplied one-fourth smaller than that of Glasgow, Boston has nearly three times as many lamps installed, and over 60 per cent. more customers. As compared with Manchester, with slightly more population supplied, Boston has nearly four times as many lamps installed, and nearly three times as many customers. Taking Edinburgh and Leeds together, with a combined population nearly half as large again, Boston has nearly two and one-half as many lights and more than one-third more customers. If a comparison is made between Boston and the two cities of Glasgow and Birmingham, which are perhaps the most conspicuous among the British municipal undertakings, we find that while the combined population of those two cities is more than double that of Boston, they have between them considerably less than one-half the number of lamps installed, and only about three-fourths as many customers.

If the comparison is made with Birmingham alone, that birthplace of English municipalism, with a population supplied nearly as large as that of Boston, is found to have only the beggarly number of 2,374 customers, with 113,000 lamps, as against Boston's 15,136 customers and 1,114,000 lamps. The ratio of customers is as one to six, and of lamps as one to ten.

Comparing Boston and corresponding English cities, taken together, it will be found that three times as many people have an electrical supply in the former as in the latter; that is to say, there are thirty takers of electricity in Boston for each 1,000 of population, as against ten takers for an equal population in the English cities.

A very striking illustration of the superior distribution of electrical supply in England obtained by private business management, operating under reasonably favorable conditions, over that prevailing in the public service, is furnished by the two companies in Newcastle. Those companies represent the best development which has been achieved in the United Kingdom, either by private or public undertakings. The figures are as follows:

**COMPARATIVE RESULTS OF PRIVATE OWNERSHIP AND OPERATION IN NEWCASTLE,  
AND PUBLIC OWNERSHIP AND OPERATION IN EIGHT OTHER IMPORTANT CITIES  
OF THE SAME CLASS IN GREAT BRITAIN**

	Population (Approximate)	No. of Private Lights of 8 C. P.	Private Motors, H. P.	No. of Con- sumers	Average Price to Public, Excluding Trams and Street Lighting	Thousands of K. W. H. Sold to Public
<i>Public plants:-</i>						
Dublin.....	289,000	82,000	220	850	3.58	857
West Ham.....	267,000	84,000	670	1,004	3.13	1,827
Dundee.....	163,000	72,000	715	1,030	3.52	1,073
Leicester.....	220,000	156,000	167	2,240	3.83	1,719
Salford.....	220,000	122,000	2,865	1,000	2.62	2,051
Aberdeen.....	165,000	107,000	1,871	1,321	3.65	1,581
Cardiff.....	164,000	62,000	607	1,079	3.27	1,736
Nottingham ..	239,000	206,000	1,913	2,704	2.08	7,937
<i>Private plants:-</i>						
Newcastle .....	217,000	288,000	6,650	4,160	1.66 ( 2.50 )	11,684

(The figures in columns 2, 3, 4, and 5 are taken from the *Electrician's sheet* for 1904-5. The figures in columns 6 and 7 are taken from Garcke's *Manual*, Vol. IX (1905). The figures as to Nottingham include sale of current to the city tramways.

From the foregoing the following comparisons appear:

Average population served by public plants.....	215,875
Population served by the private plants.....	217,000
Average number of customers of public plants .....	1,403
Number of customers of the private plants .....	4,160
Average number of lights supplied by public plants .....	111,375
Number of lights supplied by the private plants .....	288,000
Average capacity in h.p. of motors supplied by public plants .....	1,106
Capacity in h.p. of motors supplied by the private plants .....	6,650
Average number of k.w.h. sold by public plants .....	2,347,625
Number of k.w.h. sold by private plants .....	11,684,000
Average price per k.w.h. paid by customers of public plants .....	3.21 cents
Average price per k.w.h. paid by customers of private plants .....	2.08 cents

Thus it appears that in Newcastle, with a population almost exactly the same as the average population of the other eight cities, the two private companies have nearly three times as many customers as the average number of customers of the public plants; more than two and one-half times as many lights; generate more than six times as much power; and sell nearly

five times as much current for all uses: while their prices average more than  $33\frac{1}{3}$  per cent. lower.

These results have been accomplished in about four years by companies, one at least of which has operated under legal conditions more nearly like those governing municipal undertakings than any others in England, while the municipalities with which the comparisons are made have had a free hand ever since 1882 to accomplish the inferior results shown by their operation.

#### 4. FINANCIAL RESULTS UNSATISFACTORY.

British municipal plants of the kind under discussion, as a whole, show an average loss. Lord Avebury, formerly Sir John Lubbock, the second chairman of the London County Council, in a recent communication to the *London Standard* has stated that for the year ending March 31, 1903, sixty towns and cities in Great Britain showed a loss in operating their electrical undertakings equivalent to nearly half a million dollars, notwithstanding the fact that "the accounts do not show the full loss."

Official returns for the electric-lighting undertakings of the kingdom to December 31, 1904, show the following results of operation:

	Municipal	Private
Number of returns.....	182	66
Undertakings showing profits.....	105	61
Undertakings showing losses.....	77	5
Total amount of profits.....	£217,000	£596,667
Total amount of losses.....	83,000	5,000
Balance of profits.....	£134,000 \$770,000	£591,667 \$2,958,335
Percentage of plants showing profit.....	58	92
Percentage of plants showing losses.....	42	8
Average profit per plant.....	\$4,230	\$45,126

And the showings made by municipal plants, as poor as they are, have been made possible only by neglect of the items of depreciation and reserve. Says Lord Avebury:

In comparatively few places does any sufficient sum appear to have been placed to depreciation or reserve during the year under review. At Glasgow the loss was transferred to a suspense account, and in several other cases the loss was either charged to the general district or borough fund, or in part paid by this means and the balance carried forward to next year's account.

Based upon Sir Henry Fowler's "Returns" to the House of Commons, it appears that, in recent years, the annual allowances for depreciation, in the cases of 193 water-works, 97 gas-works, 102 electric plants, and 29 tramways owned and operated by municipalities in England and Wales, have averaged *less than two-tenths of 1 per cent.* on the amount of capital originally invested, and barely over two-tenths of 1 per cent. on the balance of capital indebtedness remaining after repayments of capital out of earnings.

#### 5. MONOPOLY OF MUNICIPAL CORPORATIONS.

It may be as well in this connection as in any other to say something about the Association of Municipal Corporations and its influence, particularly upon legislation.

According to a recent statement by its president, it embraces in its membership no less than 294 of the municipal corporations of the country, which is within about thirty of the whole number. Only one municipality of more than 30,000 is outside its membership, the others all being under 16,000. Its meetings are largely attended by the mayors, town clerks, and other principal officials, as well as by the members of the town and borough councils. Matters of common interest are discussed, and the association is committed for or against the various matters touching municipal interests proposed or pending in Parliament. It employs counsel, and otherwise takes an active part in shaping or opposing legislation. As practically all matters of importance, including all applications for rights to perform quasi-public services, must come before Parliament, the importance of the intervention of this association can in some degree be appreciated. Its power is tremendous—some say practically invincible.

#### 6. OFFICE-HOLDING VOTERS.

The creation of a large and ever-increasing class of office-holding voters is another very serious result of municipal ownership in Great Britain. The objections to it are obvious to Americans and are well recognized in England.

It was one of the principal features of the meeting of the 20th of July, 1905, already referred to, and the *London Times*, in its editorial upon that meeting, not only emphasized this

danger, but pointed out the fact that there is a yearly increase in the number of non-office-holding persons who may be depended upon to vote solidly for municipal extravagance in expenditure, being what the *Times* calls "expectant beneficiaries of such extravagance."

Fully to realize the importance of this consideration, one has but to reflect upon what the conditions would be in Boston, New York, Philadelphia, or any other large American city, if all the street-car operatives and electric, gas-lighting, and telephone employees were added to the already sufficiently large municipal pay-rolls. In the city of New York, for example, there are about 50,000 such employees, exclusive of those in the telephone service. There are already on the city pay-rolls fully 50,000 municipal employees. If the former should be added to the latter, the combined force would constitute an army of fully 100,000 people, or one-sixth of the total voting population. If united and aided by their friends and relatives, such a combination would be invincible.

Under such conditions, the existing local political "machines" would become so strong as to be impregnable, and the private citizen would finally realize all the burdens and inconveniences which his practical disfranchisement would involve. He is now urged to take some part in local politics; it would then be of no use to do so. The cohesive power of such a combination of office-holding voters would control every local matter, particularly those involving expenditures of money in which they might have a personal interest, although they might not be, and in a majority of instances would not be, taxpayers themselves.

#### 7. INCREASE IN MUNICIPAL DEBTS AND TAXES.

The last, although by no means the least important, circumstance which has attended, if not resulted from, the enlargement of municipal functions in Great Britain, is a tremendous increase in municipal indebtedness and taxes.

Take, for example, the recent statement of Lord Stalbridge, chairman of the London & Northwestern Railway, that in the twelve years between 1891 and 1903 the local rates and taxes, exclusive of income tax or government duties, paid by British railways increased from the equivalent of about eleven and a

quarter million dollars to nearly twenty-two and a half million dollars, or 100 per cent. and continues to increase at the rate of a million and a quarter yearly.

One of the leading citizens and most extensive manufacturers of Glasgow, and at the same time one of the fairest men in his attitude toward municipal ownership, Mr. Arthur Kay, in a paper read before the Glasgow Royal Philosophical Society, March 25, 1903, reviewing the local statistics for the preceding eleven years said:

The figures given show that the population of Glasgow has in the past eleven years increased 16 per cent., the valuation 45 per cent., the rates [i. e., local taxes] 112 per cent., and the debt 119 per cent. The ratio of assets to liabilities has gone up from 119.06 to 128.89.

That is to say: the valuations of property for taxation had increased nearly three times as much as the population; which, of course, involves the possibility that the increase in the actual wealth of the community had enormously outstripped the increase of the population in eleven years, but more probably leads to the conclusion that, in order to meet the demands of a rapidly increasing municipal expenditure, the valuations of property for purposes of taxation had been abnormally advanced; also that the individual ratepayer had seen his annual taxes more than doubled in the period, and the municipal indebtedness for which, as a citizen, he is in part responsible, increased in a still larger ratio, while the excess of the municipal assets over liabilities had increased only by a paltry 10 per cent.

### *III. Causes of Unfavorable Results.*

Assuming the foregoing to be a fair statement, in outline, of the present condition of municipal electric lighting, railroading, and telephoning in Great Britain, and that, upon the whole, it would not be desirable, if practicable, to reproduce them in the United States, and that it is wise, if possible, to avoid the causes by which they have been produced, it is necessary to determine those causes with as much accuracy as may be.

*The principal and controlling cause of the results which have been obtained in Great Britain is found in English legislation and official regulation respecting the electric industry.*

*Municipal ownership of gas-works.*—Another cause of the unsatisfactory results above indicated is the municipal ownership of existing gas-works. This fact has led the municipalities owning them, with practical uniformity, to object to the exploitation of a new illuminant by private capital, and to procure rights for themselves, which have been in fact, if not in law, exclusive. Under these rights they have either not established electric-lighting plants at all, or have established them after long periods of delay, thus depriving the communities which they have represented of the new and improved illuminant, either permanently or for long periods of time after the progressive communities of the United States had been supplied by private companies.

*Municipal inertia.*—Another cause is lack of that individual initiative and business energy and push, without which no industry will develop.

In municipal management it often happens that the right thing at the right moment cannot be done for lack of power. Consent must be gotten from the local authorities; and before it comes, the opportunity is gone. At one time a popular revulsion against extravagance results in failure to make proper necessary expenditures, and at another a determination to have good service leads to waste or recklessness. Public business is everybody's business. Everybody's business is nobody's business, and things a little out of the routine, the little unexpected all-important things which constantly appear, are found undone under municipal management when it is too late to do them. Private business has the enterprise and energy which municipal business lacks.

None of these causes have been operative in the United States, and, because of their absence, the industry has been vastly better developed, and the extent of territory and the number of persons served have been much larger.

#### *IV. Duplication of British Results, so Far as Favorable, Impossible in America.*

But if it should be assumed that the results of municipal undertakings in Great Britain are, upon the whole, favorable to

the consumer and the public at large, and that it would be desirable, if practicable, to duplicate them in the United States, this could not be done, owing to the existence of radically different conditions in the two countries.

*Differences in political conditions.*—If, and so far as, the municipal ownership and operation of public-service utilities in Great Britain have been successful, it has been because of the character of the local civil service of that country. Politics, in the American sense, is unknown in the administration of local enterprises. Business principles are applied to the administration of public as well as private works. The rigid limitation of the voting franchise, with other causes, has operated to put into city and town councils and other local legislative bodies men of a superior type, who regard public service as an honor, and whose services are retained by the public practically as long as they are willing to serve. In the choice of administrative officials they exercise the same care as the directors of private corporations do, and the tenure of such officials is as long and as certain as that of those in similar capacities in private employment.

*Laws governing the voting franchise.*—The qualified voters for municipal officials are called "burgesses." They are persons of full age, who, for at least one year, have occupied alone, or with others, a house, shop, or other building in the borough, and have resided in the borough or within seven miles thereof for a full twelve months.

The most important limitation of this general qualification of the burgess is that he must have paid, on or before July 20, all rates, (i. e. local taxes) which were payable by him up to the preceding January 5. In Scotland this provision operates very much to reduce the actual voting lists below the number who are theoretically entitled to enrollment. It practically excludes from the franchise the entire body of irresponsible and vicious electors. Albert Shaw, in his *Municipal Government in England*, 1895, estimates that these provisions exclude at least one-third of the theoretical voters at all parliamentary and municipal elections in Scotland.

The "lodger," so called—that is, an unmarried man, paying

at least \$50 a year for lodgings—is theoretically entitled to the franchise; but inasmuch as he must procure his own enrollment from year to year (whereas the ordinary ratepayer is enrolled without any action on his part, because he is a ratepayer), he practically loses his right to vote. Thus it is apparent that all "floaters" and other irresponsible unattached single men are excluded from the franchise. Out of 20,000 Jews huddled together in the tenements of the Cheetham districts of Manchester only 900 are on the municipal voting registers—undoubtedly chiefly because they do not meet the requirement as to the rentable value of the tenements occupied by them. But this law sometimes excludes intelligent citizens from the franchise, simply because they are "lodgers," as, for example, in the case of the ten reporters on the *Manchester Evening Chronicle*, not one of whom was a voter at local elections. In England the lodger is excluded by law from the municipal franchise, although he may vote for members of Parliament,—except in London, where a lodger in occupation and residence in one definite house within the borough for the preceding twelve months is allowed to vote.

The exploitation of the slums and of the non-rent-paying population for municipal political purposes is therefore practically impossible in Great Britain.

In addition to the provisions for the practical limitation of the electoral franchise to the responsible and desirable ratepayers, the purity and efficiency of municipal government in Great Britain has also been protected and promoted by the great stringency of the so-called Corrupt Practices Acts, applicable throughout the kingdom.

*Evidences of deterioration in local governments.*—But, excellent as is their general character, I think it is beginning to be understood and generally admitted that the local governing boards of the larger British towns and cities are becoming less, rather than more, efficient. This result naturally accompanies the multiplication of the duties imposed upon those bodies. They are becoming overburdened, and in some cases fairly swamped, with the extent and variety of the public concerns which engage their attention. In Glasgow, for example, it is said that a conscientious member of the council must devote about two days a week to the discharge of his public duties. In Manchester the

chairman of the gas committee for ten years has spent at least six hours a day in the discharge of the duties of that position. While willing to give much of their time gratis to the public service, business men are beginning to find that the draft upon it is more than they can meet without absolute disregard of their private affairs.<sup>4</sup> The wonder is, that, notwithstanding this fact, these bodies have thus far adhered as closely as they have to the high standards of the past.

#### *V. Summary.*

*First.* The operation by British municipalities of public utilities of the kind under consideration has been successful, if at all, in the single particular of furnishing the service or supply at a fair price to a comparatively few persons. Aside from gas supply, it has not resulted in any considerable profit to the municipalities, the losses in electric lighting, traction, and telephone enterprises being frequent, while the profits when realized are generally not more than 2 or 3 per cent. on the investment—the net result to date being an average loss.

*Second.* It is by no means conceded, but, on the other hand, is strenuously denied, even in England, that municipal trading has, upon the whole, been successful, and British public sentiment is by no means settled upon that subject.

*Third.* The municipal supply of electricity for light, traction, and telephone service has been attended by certain serious results, which more than offset the success, if any, which has been obtained in the single respect above referred to, viz:

(1) A most serious check upon the general development of the electrical industry in Great Britain, and, in consequence, upon the establishment of the manufacturing plants and facilities which would otherwise have grown up.

(2) An extremely restricted supply in the cases where the supply has been undertaken, resulting in the accommodation of the few, to wit, consumers, at the expense of the many, to wit, rate-paying non-consumers.

(3) The abnormal enlargement of the functions of local government, resulting in the discouragement of private enterprise, and the creation of a large and increasing body of office-holding voters.

(4) A most serious enlargement of municipal indebtedness, and the creation of a class of voters who can be relied upon to support extravagant expenditures.

*Fourth.* The unfavorable results realized in the development of the electric industry are primarily traceable to the character of the legislation and official regulations governing the matter, all of which, professedly and in reality, are framed for the encouragement of municipal, and the discouragement of private, enterprise; and also to the inertia and lack of business enterprise which are inseparable from municipal operation.

These laws and regulations, not having worked well in Great Britain, should not be imitated or approximated in America.

*Fifth.* If a different view from that above expressed is taken of the character of the results achieved, and it is deemed advisable, if practicable, to duplicate the financial and technical results of British municipal undertakings in America, it will be impossible to do so, owing to the totally different political conditions obtaining in the municipalities of the two countries, respectively. Not only is the municipal civil service in Great Britain totally different from that in America, and dependent for its character and tenure upon a wholly different system of laws and administration, but the public sentiment and education of the people of the two countries upon the subject is so opposed that the conditions in either country could not be reproduced, by legislation, or otherwise, in the other.

*Sixth.* In view of all the foregoing considerations, it is manifest that the continued encouragement of the exploitation of private business by private capital, rather than the entrusting of business or quasi-business enterprises to municipal officials, is the only sound course to be pursued in the United States.

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Public Ownership and Popular Government.

William Horace Brown.

The growing sentiment in favor of public ownership and operation of industrial enterprises appears to be due mainly to two

causes: first, dissatisfaction with the manner in which such enterprises, or those of them conducted under public franchises or privileges, are operated under private ownership; second, resentment against large aggregations of private capital, whether its employment in such enterprises is advantageous to the public or not.

The first cause appears to predominate in American municipalities. The second is no doubt the moving sentiment of the majority of those in the United States who would have the federal government own and operate the railways and telegraphs, although other reasons are commonly assigned.

The term "industrial enterprises" is used in the broadest sense, with a knowledge of the distinction observed in the securities market between manufacturing and mercantile business commonly termed industrial, and the transportation, lighting, and other business usually carried on under public franchises. Yet as a fact all are industries—departments of business employing capital and labor. The separation of those departments of enterprise, or business, which are commonly conducted under public franchises or subject to public regulation in certain respects, from other departments as properly and naturally those which should be owned and operated by government, either municipal or federal, is purely arbitrary. When it is asserted by advocates of public ownership and operation that there is such a distinction which they desire government to observe, they at once admit the doubtfulness of their proposition, and the necessity of placing close bounds upon their innovation. In European countries no such distinction is insisted on. Municipalities there own abattoirs and distilleries, and engage in many other enterprises. Therefore, if it is a proper function of government, municipal, state, or federal, to engage in the railroad or gas-making business, it is likewise proper for it to go into many other kinds of business.

The municipality exercises control over and grants special privileges in greater or less degree to the omnibus carrying business, house-wrecking, the building business, the advertising-sign business, not to quote too long a list. It does not seem to be any stretch of logic to analogize that, if a municipality may proper-

ly engage in the telephone business, because it permits the stringing of wires in alleys and under the streets, it may as properly engage in the construction business, on the ground that in the erecting of buildings contractors are specially permitted to monopolize half the street about the premises during such operations. Besides, building is under strict municipal regulation as to materials used, sanitary appliances, etc., and is controlled by the city inspectors.

If we are to admit it to be the logical function of government to turn merchant, manufacturer, and speculator, with the money of the taxpayers, it is of first importance to find out whether we are to place any limitations upon it, and, if we are, for what reason. If we are going to fix an arbitrary rule of limitation, without sound reasons therefor, we may as well expect those who follow after us to throw it over. So it would seem to be of first importance to ascertain and bear in mind what the province of the government under free institutions really is. Under an absolutism the problem is exceedingly simple. The nearer we arrive at popular freedom, the more disputed it becomes.

It is undeniable that in the United States from the earliest times the people have been firm in the faith that government was for the purpose of conducting purely public business, and should interfere as little as possible with the occupations of the citizens. In early years this feeling was so strong that it threatened disruption of the government as organized under the federal constitution. People denied its authority to declare embargoes or to impose internal revenue taxes. The whole body of the people wanted the least government necessary to preserve order locally and to conduct interstate and foreign affairs, and they wanted that at the least possible cost. This was the sentiment which Mr. Jefferson coined into his epigram: "That government is best which governs least."

The theory was, of course, that the people should be permitted the widest latitude in conducting their commerce and in regulating their private actions not inconsistent with the general welfare. There should be no sumptuary laws; no state interference with religion; no laws permitting monopolies; no favoritism; no recognition of class distinctions; nothing, in fact,

that would in any way deny perfect equality or interfere with the exercise of commercial and individual liberty; always, of course, recognizing the universal code of morality. In general, this has been admitted by every writer of recognized authority on governmental science as the true basis of popular representative government, both in England and in America. From Franklin and Jefferson and Madison, to Bryce and Lecky, it will be found as a recognized principle, even among those writers who hold less faith in democracy than others. It is simply a recognition that the day for anything like a paternal government for an intelligent people is past.

A real democracy is adapted only to simple forms of government; for government, being an institution of business, cannot be successfully conducted through many ramifications by the popular will. The popular understanding is not equal to coping with intricate business propositions. The more complicated the government of a municipality becomes, the greater the number of departments; and the more responsibilities involved, the less is success likely to attend management by boards of unskilled minds subject to popular influence or guided by partisan interests. The more and weightier the business undertaken, the greater the requirement for centralized authority and specialized skill; and consequently the less can be permitted of popular dictation. This is merely the principle that applies to business consolidation, where the most intricate problems are concentrated in a few executive heads.

How can we square this sentiment, this fundamental principle of a minimum of governmental interference, with the theory that the people, either individually or organized together in companies, are not to be intrusted with the conduct of commercial enterprises, and that government shall deprive the people of their business opportunities, and monopolize such enterprises under its arbitrary power? The question cannot be answered by any shifting rules of limitation—that has already been shown. Under the assumption that all commerce or enterprise carried on under a public franchise or privilege is proper business for government to engage in, the principal departments of commercial enterprise would be included. It is merely a question of

degree, at the most; and it matters little as to the difference between packing-houses operating under municipal license, and under guard of municipal and government inspectors, and an electric company with a franchise. It resolves itself at once into a question of whether, if government is more competent and better entitled to conduct one-fourth of the business of the country—that is, to deprive the people of one-fourth of their worldly opportunities—it should not take over and conduct one-half, or three-fourths, or all, and leave the people with no opportunities whatever. Otherwise stated, if it is the proper function of government to take from the people and operate a part of the business enterprises within its jurisdiction, it is not the proper function of the people to say it may not also assume and monopolize other enterprises.

To be sure, municipal-ownership advocates will declare that it is not proposed to deprive the people of anything; that, on the contrary, it is proposed to take from the corporations that have robbed the public and give to the people that which rightfully belongs to them. This has a very seductive sound, but it is sophistry. The people own the businesses which it is proposed government shall take over and conduct. There are perhaps several millions of shareholders in the various corporations of the United States. In addition, the saving banks hold over three billion dollars of deposits, the life-insurance companies have nearly as much, a very large percentage of all being invested in corporate securities, really held with the people's money. It is intended to pay them for their properties, of course. But has government the money to do this? No, it intends either to borrow the money on the properties or to go in debt to the owners for them. Now we have arrived at this situation: The people who are actually in the business which the government, local or federal, will take over, must retire from such business. They must enter other business, become idle capitalists living on their incomes, or seek salaried positions. They cannot enter other lines of trade without displacing some who are already in them, for practically all avenues of trade are as full as reasonable profits will permit; otherwise there would be an increase of competition as things now are. The municipalization or govern-

ment ownership of industries will not create new business. It will, in fact, tend to narrow the volume of exchanges, for the reason that, on the average, public operation will not be as enterprising or as ably conducted as private operation. This will be disputed, but it appeals to reason that the citizens who have created the country's industries, who are conversant throughout with their technicalities, and who now successfully manage them, are more competent to do so than any others are. The people who have shown the greatest ability in building up businesses are surely the ablest in managing them.

The government, after thus having displaced the most competent business skill of the land, greatly disturbing the equilibrium of trade in so doing, and destroying the choicest avenues of money-making investments, holds out to the people thus dispossessed the alternative of accepting its low-rate bonds for the amount of their holdings—for we are not considering now the radical scheme of confiscation. Thus all, so far, except wage-earners, have had their incomes reduced, their possibilities for advancement curtailed, with large numbers forced into idleness; while the overcrowding of other business channels and lines of endeavor have reduced profits and caused business demoralization. Government, meanwhile, has become shopkeeper, trader, speculator, carrier, exclusively with hired help, much of which is engaged because of political influence or partisan activity. It has promised higher wages, and is attempting to pay them with impaired efficiency in operation and against a condition of industrial disturbance. At the same time, its income from taxes has fallen greatly, not because the rate of taxes is less—it is, in fact, higher—but because all the property which it has taken over now pays no taxes, and the bonds with which it paid for them are, as a rule, not productive of taxes.

Something must be done to foreend disaster. An attempt is made to reduce wages, which have been in many instances raised through influences other than consideration for the best interests of the enterprises; and strikes and tumults follow. Whatever deficiencies occur in returns must be made up from the general fund. New taxes are imposed—stamp taxes, increases in the excise, a modification of the tariff—which of course al-

ways means a raise. And then a revulsion of feeling in regard to government trading.

Now, it is just as easy to deny that these results would occur under an extensive experiment in public ownership and operation as it is to outline them as probable. No government has entered upon the scheme far enough, and tried it long enough, to establish a criterion which may be used as indisputable evidence. Lacking sufficient statistics of actual results necessarily leaves the subject in a degree open to conjecture; but only as any proposition in conflict with logic and the known results of human actions are conjectural. And we have incomplete data which show the trend of municipalization experiments in the direction indicated.

It is more than inconsistent, it is paradoxical, for a people who have for generations maintained the doctrine of the widest possible freedom in all departments of human endeavor, and particularly for that portion of the people which has supported that doctrine to extremes, now to appear as the sponsor for a system of governmental interference with such freedom so radical that it is nothing short of paternalism. This strange paradox is not relieved by the excuse that the common people are being despoiled by defiant corporations which enjoy and abuse special public privileges. The corporations are a part of the people. They are creatures of the same governmental power which it is proposed shall supersede them in proprietorship, and are supposed to be subject to the control of that power.

If government has created institutions that are harmful to the country and the people, it is a governmental fault. The people created the government and maintain it. They elect, by universal suffrage, the officials who administer the affairs of the government. If these affairs are inefficiently or dishonestly administered, it reflects directly upon the intelligence and the watchfulness of the electors. Administrators as well as legislators hold their offices by short tenures. It is the business of the people—not their privilege, but their business—to keep their government in clean and able hands. Just so far as they do this do they demonstrate their fitness for self-government. Just so far as they fail or neglect to do this do they show their unft-

ness. Under our system bad government must be the result of the incapacity or indifference—which is the most hopeless kind of incapacity—of the citizens.

This is so manifest as to be not debatable; yet we know government has created corporations that have imposed on the public, and that it has failed to exercise adequate control over them. States have shown unwise liberality in granting charter powers without adequate safeguards, and American municipalities are notorious, not only for their prodigality in granting franchises, but in the worse than incompetent manner in which they manage their business affairs generally. It is a frequent comment that our governmental system has shown its weakness more in the government of large cities than in any other respect. Demagoguism, graft, and political trickery find in them their most profitable fields, and it is in them that reform works the slowest.

Even where rank dishonesty does not appear in the conduct of municipal business, there has been much to condemn. We can see on every hand in practically all of our cities things that have been done wrong or entirely neglected. Cities have grown with great strides, problems have developed rapidly, and our system of rotation in office, to forestall building up an office-holding class, has had the effect of keeping, too much of the time, inexperienced men in the management of them. In some instances, also, there have been inadequate systems imposed by state constitutions or legislatures. But in all cases the shortcomings are primarily those of the people. Franchises have been corruptly bartered by councils and boards; yet we know that members who have been notorious in such treachery to the public's interests have been returned again and again to their offices by the votes of the people. It is hardly an exaggeration to say that the officials who have been most recreant to their trust have, as a rule, been able, through their machinations, to hold their places for the longest periods. Whenever municipal ownership abroad is cited, it should be remembered that in European cities, as a rule, the executive officers are not elected by the people, and are free from political pressure. This is true even of the chief cities of England and France.

Many other facts of common knowledge might be quoted to expose the errors of government and its defects in business management. The real difficulties have been great. Legislative bodies and executives have lacked foresight in providing for adequate control over public corporations. Entanglements and litigation have resulted in many instances; and if we freely allow that corporate greed has overstepped itself and brought on a storm of popular resentment, it must be remembered that in few instances has public management—that is, the officials of all classes—been competent successfully to cope with it. And, in the final summing-up, it will be found that two causes are at the bottom of the whole trouble: our political system, which insists on short tenures of office and selects public servants for other reasons than their superior ability; and the carelessness or lack of judgment of the people themselves.

There is to be taken account of the arguments that the task of government in properly controlling public utility, or other commercial enterprises operating under public privileges, is greater than it would be in conducting those enterprises itself; and that the removal of such businesses from private hands to government proprietorship would at the same time remove the principal source of political corruption.

The former contention is a necessary one for the advocates of government trading, for at the outset they are met with the indisputable facts given above concerning the weakness, even to failure, in the conduct of purely official business. The very first step in the logic of the case is that, if our officials, as they average, have failed in the conduct of affairs purely public in their nature, they would fail yet worse in conducting the largest business enterprises of the country added thereto in one vast complication. If they have been found wanting in some things, there is not the slightest warrant founded on human experience for the belief that they would prove more efficient in many and weightier things. Such an assumption is not only contrary to experience, but is repugnant to common-sense. It does not matter that municipalities are operating some public-service plants with a degree of success. They might conduct them with a still greater degree of success without affecting the argument.

As to the second claim, while it might prove true in some instances, there are records that show it cannot be depended on. Human nature is not changed by merely shifting the temptation. Years ago Philadelphia owned and operated her gas-works. On the theory of municipalization advocates, that should have prevented tampering with the officials, so far as the gas business was concerned, and the business should have been a blessing to the people. But the results were contrary. The works were allowed to run down, the quality of the product was low, the price for it high. All this was laid to the machinations of capitalists who were alleged to have bribed and conspired with the officials, where the capitalists themselves were not the officials. Finally a change was made. The works and business were turned over to a private corporation by lease on terms alleged by the corporation baiters to be rank robbery of the people. For years the transaction was pointed to as a horrible example of corporation outrage and spoliation of the people—not, of course, through the fault of the people, but because of corporate greed.

Finally it was discovered that the bargain had proved an excellent one; that the quality of gas had been improved, the price cheapened, the works rebuilt and extended, while the city received nearly half a million a year in cash payments. What is the moral? Why, the municipality, not having managed its own affairs as ably and honestly as the much-maligned gas company had conducted the gas business, sought to raise a vast sum of needed cash in lump payment for a further extension of its valuable privileges, thus discounting its rentals for many years; and that is how one government demonstrated its fitness for higher things. The country is studded with towns that have had unsatisfactory experience with ownership and operation of water and electric-light plants, and have turned them over, or are seeking to turn them over, to private companies; and in almost every instance there has been a faction that complained of the alleged conspiracy of certain of their officials with capitalists.

While reliable statistics are yet lacking to demonstrate the results of extensive government ownership and operation which I have predicted, there are enough, not only to destroy faith in the roseate claims of the public-ownership apostles, but to point a distinct warning of the danger. The statistics are in too many

instances discovered to be deceptive in the favorable results they show. In several particulars is this true. They are given to omitting proper charges for depreciation. This especially in respect to electric-lighting plants, where depreciation and obsolescence have been very costly. They frequently fail to show the true cost of operation by neglecting to state the services given the works by other departments of the city government, and the sums that are lost in taxes that would be paid under private ownership; also the quality of service rendered. And, besides, the scheme has been tested on too limited a scale to permit of jumping at enthusiastic conclusions. There have been, if nothing else, too large a percentage of known failures, so far as the test has gone.

But against this warning we are handed a flowery statement of results in Europe, and especially in England and Scotland. This is carrying the argument away from our conditions, and even if the known facts over there were more favorable than they are, it would not warrant our attempting to follow their example. As to results in Great Britain, however, the game has not been played through, and the final score will not be shown for years to come. It may be conceded that, if any country possesses a system and character of government capable of engaging successfully in government trading, Britain is that country. Yet we have reports of antiquated instruments in municipal telephone systems, of lack of enterprise in perfecting and extending the service which would be borne with sour grace in American cities. Not only has the service been poor, but in some instances the operation has been at a loss. The same may be said of municipal electric lighting in Great Britain. The service is complained of, and in a number of cities, including Glasgow, Edinburgh, Bath, and Bristol, has been operated at a loss. As for the municipal tramways in England and Scotland, American travelers are practically a unit in declaring that most of the systems, and the methods of operating them, would not be tolerated in America, even those often quoted as examples of municipalization success, such as Glasgow and Edinburgh.

Of most vital importance is the problem of municipal indebtedness which the experiment has created. More than two thousand million of bonds have been issued in England to extend

municipal trading, and the investments have in some instances already affected municipal credit. Some lines about London are already a charge to taxpayers, and the leading newspapers are sounding the alarm as to what may be the ultimate result. There has also been observed an effect on the industrial system of the country, and the subject of the displacement of private enterprise and responsibility by government is awakening much serious thought.

The day has not arrived when we may point to England's example as one which America may safely follow.

Patient, disinterested examination of the subject in its various phases does not discover any warrant in experience, political conditions, or the purpose of government, as viewed by the clearest intelligence of recent times, for the assumption that public trading would prove the public blessing so confidently claimed for it by its advocates. This will apply either in the case of municipal or federal government engaging extensively in business. It is characteristic of propagandists to indulge in positive assertions—not merely to believe and prophesy, but to declare future results. That it is the true purpose of government to conduct the chief commercial enterprises of this country, or any considerable portion of them, no man—no American, at least—has any right to declare. That the results of municipal trading in America, so far as it has been tried, have been entirely successful, as has been frequently asserted, statistics so far obtainable do not prove. It cannot truthfully be stated, without qualification, that experience so far in municipal ownership and operation has, as a whole, been of greater benefit to the people than private ownership and operation in the same instances would have been.

A hopeful theory is that by imposing ownership and operation of industrial enterprises on city governments the quality of citizenship will be raised, because citizens will then take greater interest in city affairs. It would not be difficult to prove by history that, the more paternalistic governments have become, the less responsibility has been shown by their citizens or subjects. But it is not necessary to enter such an argument. For the accepted doctrine of free government is, that it

should protect the people and guard their interests by reasonable regulation and control, and not that it should conduct the business of the people.

The plea that government cannot properly control corporate operations, or that it will not do so, is a pitiful one. It must be conceded that in many things government has not done so. But that being the natural function of government, there can be no question that it should first demonstrate its efficiency in that duty before engaging in commercial experiments, even if the latter should be admitted a proper course for it to take in any event. Let the protests of the people against corporate derelictions be directed to enforcing adequate control. Let the errors that have been made in the past through wasted franchises, excessive privileges, inadequate laws and charters, be remedied as fast the nature of the various cases will permit. Clean the administration offices. Keep able men in office longer, the delinquents not so long. Perfect the merit system, not in a way that it will help shirking ineffectives to retain their places, but so that it will more surely encourage merit. Deal with corporate interests with a view to the greatest public advantage, not merely with the view of carrying out arbitrary ideas of short-term franchises or municipal purchase.

Government control and regulation are natural functions. If they be properly exercised, they must prove more beneficial to the people than government trading. They will insure improved service of public utilities, which municipalization does not. They will increase the public revenues by compensation, without the danger of increased public burdens. Strict government control is more likely to decrease political corruption than is government trading, as the management would not be swayed by political considerations; this with special reference to traction properties employing large numbers of men.

What may be effected through wise control and regulation is exemplified in the street and elevated railway service at Boston, concise explanation of which has recently been given to the reading public by Mr. Hayes Robbins. It is not too much to say that Massachusetts and Boston have, in fact, fairly solved the problem of public control and regulation. In quality of service; in mile-

age of track in proportion to population; in benefits to the public treasury, and in all things that constitute satisfactory urban transportation, we have the highest testimony that this system is superior to any in Europe; while the uniform five-cent rate of fare, compared with the zone rates there, is no higher, and wages of employees average twice as high.

Now, what has been done in Massachusetts may be repeated in every state in the Union, not only with respect to tramways, but also as to lighting, telephone service, and water supply. It was observed as far back as Aristotle that community of property was not a practicable scheme for populous communities. How true that observation was is attested by the fact that, while it has frequently been attempted, by almost every character of people and under almost every social condition, it has failed in every instance. The more extensive the municipalization ideas are put into experiment, the nearer we approach the community of property system, and, according to all human experience, the nearer to governmental and industrial chaos.

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Public Ownership Versus Public Control. Hayes Robbins.

When it was first announced that the Citizens' Union of New York was entering upon a campaign to increase the range of municipal powers so as to include ownership and operation, among other things, of street railways, gas and electric-light service, it was regarded as something of a politico-economic sensation. The extraordinary feature was not the character of the proposition itself. Municipal ownership is no novelty, either as a theory in this country or as a practical accomplishment in Europe, especially in Great Britain. But that an organization of the civic prominence and influence of the Citizens' Union should select the opening months of a new Tammany administration to start the machinery at the state capitol for a constitutional amendment permitting these new city functions, was unique in American political history, to say the least.

Had the last municipal election in New York continued the reform administration in office, a suggestion for adding an immense new set of complex responsibilities and powers to the city government's activities certainly would have seemed less eccentric than coming, as it did, close upon the heels of the most striking demonstration ever afforded of the insecurity of clean, able, and nonpartisan government in the great "social experiment" city of the New World.

But these are points of political expediency rather than of principles at stake. The larger importance of any such movement does not lie in the sensational interest of an unpropitious launching, but in the fact that it raises again (and each time more seriously, whatever the outcome of the particular agitation) the issue of the wisdom and practical feasibility of taking the government into these exacting and complicated fields of industrial responsibility and management. This is, indeed, a large issue; and if a fresh discussion of it leads to nothing more concrete than the remedying of certain abuses in existing systems, and establishing more equitable and satisfactory relations between the community and public-service corporations, it will have been well worth while.

The demand for public ownership and operation of street railways, lighting facilities, etc., is often based upon the broad contention that the furnishing of "common necessities" ought logically to be in the hands of all the people. The argument is obviously careless, in that it would equally justify state production of wheat, sugar, coal, oil, meats, cotton, and wool—whatever, in fact, has come to be regarded as a "necessity" of life. The real distinction comes in when the article in question is not only a public necessity, but is supplied under practically monopolistic conditions. There is a separate grouping of industries of this class, which is recognized in the practical policies of virtually all civilized countries. From time immemorial governments have elected to take over the control and operation of so-called "natural monopolies;" whether it was the development of valuable natural products, especially rare mineral deposits, or, in more recent times, the furnishing of water supply, drainage systems, street-lighting, and even in some cases of public

transportation and communication facilities. The instinctive appreciation that the peculiar character of such industries calls for and justifies something more than a *laissez-faire* policy is what underlay the very general support of the President's intervention in the coal strike. The act was unofficial, to be sure, but morally it had the effect of an assertion of the sovereign popular right to take a hand in the conduct of a virtually monopolistic industry supplying a necessity of life.

The principle has steadily become clearer that, where competition is impossible or ineffective, some outside agency is not only admissible, but necessary, to supply or compel the progressive improvement and the checks against extortion which natural conditions do not in such case afford; and since this interference is required in the public interest, what more natural than that the government, as the organized expression of the people's will, should be the intervening agent?

Much elaborate argument has been wasted in the vain effort to show that competition is really feasible under all conditions. But public sentiment has become impatient of all such obviously specious reasoning in defiance of known facts. Competition between transportation lines, or gas-and-electric-light companies, or telephone systems, usually ends either in a price agreement, or a division of territory, or an outright consolidation of the rival corporations. Massachusetts has frankly recognized the humbug of competition in certain of these fields, and has even gone to the extent, as a recent decision of its Board of Railroad Commissioners, in a case at Springfield, witnesses, of declaring virtually that the monopoly is advantageous and should be protected; but such an expression from the source quoted must always be taken in connection with the all-important proviso that the monopoly operates under a very strict and comprehensive system of public control, and this is precisely what Massachusetts law provide.

Here is where the real issue lies today. There is less and less effort to galvanize the corpse of competition in the public-service facilities of our cities, either in practice or in theory. Equally, there is less and less disposition to deny the public right to supply in some way the safeguards which competition would naturally

afford if it were actually there. The vital question is on the *how*. And here begins the cleavage between the public-ownership proposition and public control.

It will be of interest to inquire into some of the experience of recent years, under both systems, in this country and abroad. So far as strictly municipal undertakings are concerned, Great Britain furnishes practically all the advanced experiments of large importance, and unfortunately the differences of opinion as to practical results are so pronounced, and the testimony so conflicting, that positive conclusions are in many cases difficult. Not only this, but in forming judgments very much depends upon whether the results under municipal operation at a given time are compared with previous private-management experience in the same community, or with present American experience under private management.

Take, for example, the famous case of Glasgow. The tracks of the street-railway system were the property of the city from the beginning, but were leased in 1871 to the Glasgow Tramway & Omnibus Co., for twenty-three years. On November 12, 1891, the Town Council voted not to renew the lease, and entered into negotiations with the company for the purchase of its equipment. These negotiations fell through, and the municipality thereupon purchased an entire new outfit for a horse-car line—cars and horses, barns, ground, buildings, and machinery. Why was not an electric system installed, as it certainly would have been by any American private corporation taking possession of an urban transportation system so recently as 1894?

Mr. J. Shaw Maxwell, in a review of municipal-ownership experiments, in the *Co-operative Wholesale Societies' Annual* for 1902, says it was because there was not time enough in the two years after the negotiations with the private company collapsed to the date when the city had to begin operations, to purchase and install an electric plant. A different explanation is indicated in the very exhaustive and favorable account of the Glasgow tramways, to which the *Light Railway and Tramway Journal* (London) devoted almost its entire space in the issue of July 3, 1903. It appears that a special committee was appointed as early as July, 1891, to investigate methods of operation for the tramways

and a month later reported in favor of "mechanical traction;" but they could not agree on whether it should be electric, cable, compressed-air, or gas-motor.

The subcommittee were busy considering the question until after the following May, when they decided that it would be impracticable to start the service with mechanical traction, and that the safest course would be to start with horses and wait further developments in regard to the various forms of traction.

In October, 1902,

offers were received for erecting and completing an electric installation, with all plants, appliances, rolling-stock, etc., necessary for working about eight miles of the tramways in the northern part of the city, including the Springburn route, on the overhead system, but the committee did not then see their way to recommend the acceptance of any of the offers.

Not until five years later was even a short experimental line authorized, and the principal reason seems to have been that "there was as yet no general concensus of opinion as to which was the best system of mechanical traction." The first test-line was opened in 1898, and in the following year a complete change to the electric system was voted. The last horse-car was withdrawn from service in 1901.

There is a conflict of testimony also with regard to the financial results of the Glasgow undertaking. It appears that in the twenty-three years of the lease to the private company nearly \$1,700,000 had been expended on capital construction account, of which upward of \$980,000 had been paid off by the tramway company, which also had expended some \$617,000 on the renewal of permanent way, and contributed some \$309,000 in clear cash profit to the city. Statements of percentages of profit made by the municipality since 1894 make a considerably better showing when the capital basis upon which they are computed includes (in addition, of course, to later expenditures) only the net debt upon the system at the time of the transfer, than when it includes, as it should, the total investment up to that time, of which almost two-thirds had been contributed free and clear by the operating company.

Another easy way of getting an erroneous impression of financial results is to compare the *average* annual payments to the "Common Good," or net profit fund, during the whole twenty-three years of the lease with the *annual* payments into that fund since 1894. By this method it appears that only about \$13,500

per year went to the city's profit account prior to municipal management, while in the first year after the change, 1894-95, the amount so paid was \$40,193; in the four succeeding years, \$43,794 each; in the next three, \$60,825; in 1902-3, \$121,650; and Mr. John Young, the general manager of the system, informs the writer that "it has been decided that this sum shall be paid over to the Common Good annually in the future."

But the \$13,500 average for the twenty-three years before 1894 of course includes all the meager early years, from the time when the total capital investment of the system was less than \$17,000. If, instead of stating the payments to the "Common Good" as an average for the whole period, the figures are given year by year, as is done for the period since the lease, it appears that the amounts increased steadily prior to 1894 as well as since, and in the last year under the old system amounted to over \$27,000; in the last thirteen months, over \$32,000. Further, it should not be overlooked that if Glasgow had been obliged, as any private corporation purchasing the plant would have been, to pay annual interest, say at  $2\frac{1}{2}$  per cent., on the \$980,000 of capital investment which had been paid up by the private company, the amount available for Common Good would have been less by about \$24,500 each year than it actually has been since the city began operations. In other words, instead of \$43,794 from 1895 to 1899, it would have been about \$19,300 in each of those years; instead of \$121,650 today, it would be just over \$97,000.

On the other hand, on the basis of what the old company actually was accomplishing just prior to 1894, with the same unpaid capital debt to carry as that taken over by the city, the municipal management has steadily increased the net return to the "Common Good," and that with some reduction of fares, installation of a modern system, and altogether improved service.

And it is further to be noted that the movement toward municipalization of British tramways is steadily forging ahead. Huddersfield has been operating its own system since 1882; Plymouth and Blackpool, since 1893; Leeds, since 1894; Sheffield, since 1896; Liverpool, since 1897; while Manchester has only recently undertaken the same experiment, the largest of the kind in England, covering nearly 150 miles of trackage.

In 1901, 56 propositions for municipalizing tramways were authorized, the estimated cost ranging from about \$23,000 to \$14,600,000. According to the *Board of Trade Returns* specially obtained on this subject in 1900, 70 out of a total of 177 tramway systems were then under public ownership and management, and these 70 represented a total expenditure on capital account of \$49,650,737, as against \$56,116.580 for the 107 private corporations.

The circumstance above all others which has made fairly satisfactory results possible, *as compared with the previous systems*, is the relatively high character of British municipal administration. Through long traditions of decency and much clarifying experience, these cities have developed the habit of picking men of honorable repute, business experience, and capacity for public service; and but for this fact it is altogether probable that the experiments would have proved disastrous failures. To cite a few cases by way of illustrating the average composition of the governing bodies of English municipalities: in 1901 the City Council of Birmingham contained forty manufacturers and tradesmen associated with the metal and cutlery trades; in Bromley nearly half the members were manufacturers and tradesmen, connected chiefly with the cotton industry; in Hull the shipping interests were strongly represented; in Huddersfield woolen manufacturers were prominent; in Sheffield the staple industry was represented in all its phases, from corporation directors to steel-workers and molders; in Glasgow the municipal corporation consisted of twenty-one merchants and shopkeepers, twenty-six manufacturers and tradesmen, sixteen professional men, four following no calling, while the great trading interests of the city were well represented.

In spite of all the favorable features, public opinion in Great Britain, while strongly tending toward municipal ownership in many quarters, is by no means a unit on the practical results achieved down to date. Mr. Maxwell himself, although a believer in municipalization, quotes a number of critical judgments; for example, that of Mr. Benjamin Taylor, in the electric railway number of *Cassier's Magazine*, that "generally speaking, the most perfect tramway system is procurable when the municipality owns

the track and leases the lines to a company under municipal regulations." Mr. Taylor reviewed the experience of Glasgow, Huddersfield, Blackpool, Leeds, Sheffield, and Plymouth, and expressed the conviction that

In no single instance has it [municipal operation] been perfectly successful. Glasgow furnishes the nearest approach to success, but in Glasgow, with a small track for an enormous dependent population, it would take very bad management indeed to produce financial failure. . . . Any well-managed company, in possession of the advantages which any of these corporations [municipalities] whose work has been reviewed, possesses, would have, long ere this, produced much better results both for itself and for the public.

Whatever may be the conclusion, however, as to public versus private tramways in Great Britain, when we compare the results under the very best of the municipalized systems with those realized in many of the larger American cities, the differences are pronounced. Dr. Albert Shaw, author of *Municipal Government in Great Britain*, who has sometimes been quoted as an advocate of municipal ownership, declared before a committee of the New York legislature: "I have never dreamed of advocating municipal ownership in the city of New York. I have never thought of it as a remedy." And, as to foreign cities: "I never believed any experience derived from them of any applicability to our cities." Mr. Charles Francis Adams, who was a member of the special Massachusetts investigating committee appointed in 1897, and whose right to speak with considerable authority on these matters is unquestionable, declares that he has "never yet found in Europe anywhere a case of municipal or public transportation worthy an instant's consideration as compared with our own." This has the appearance of an extreme view, to be sure; but concrete facts go a long way in support of it.

Suppose, for example, the comparison is made between the Glasgow experiment, which is decidedly the most favorable for municipal ownership that could be taken, and the Boston system, which, if it is indeed the best in the United States, has many a close second so far as practical operation is concerned, whatever may be said of the general fiscal relations with the community. Of that, more later.

Glasgow today has 139 miles of tramway, measured as single track. The population of the city is about 800,000; and in the

financial statement and general account issued by the Tramways Committee the total population served, including the suburbs, is given as one million. The Boston Elevated Railway Co. operates, as a unit, some 440 miles of elevated, subway, and surface lines, and serves approximately the same aggregate population, including the suburbs. In other words, Glasgow has one mile of track for every 7,200 of population, in round numbers; Boston, one mile for every 2,270. The Glasgow system in 1902-3 carried 177,179,594 passengers; the Boston company carries about 236,000,000 paying passengers, of whom 130,000,000 use free transfers, making 366,000,000 separate trips furnished. The average daily traffic is: Glasgow, 485,000; Boston, 1,000,000. The Glasgow rolling-stock consists of about 680 cars of all kinds; the Boston company owns over 3,300. The average number of cars operated in one day in Glasgow is now about 450; in Boston, 1,300. Thus Boston operates one car for every 770 passengers carried each day; Glasgow, one car for every 1,077.

This difference is reduced, however, by the fact that practically all the Glasgow cars are "double-deckers," seating from 50 to 55 passengers. A car seating 55 provides for 25 inside and 30 on the roof. The equipment of the Boston system is varied, including 174 elevated-railway cars seating 48 passengers, with comfortable standing-room for 50 more; nearly 1,600 surface-railway box-cars of different sizes, the great majority seating 34 passengers each; and more than 1,500 open cars for summer use, seating from 40 to 60 according to the number of benches. In winter, therefore, although Boston operates about 40 per cent. more cars in proportion to traffic than Glasgow, the average seating capacity of a car on the Glasgow system is greater than that of Boston surface cars by an even larger percentage; but this does not apply to carrying capacity. The standard surface car on the Boston system is 25 feet long, exclusive of platforms; in Glasgow, only 17 feet; which means, of course, less standing-room inside. And there can be little doubt as to which of the two evils is to be preferred, for winter travel—standing-room inside a warm car, or a seat on the roof, exposed the cold and frequently to storms. This exposure to weather, by the way, is a permanent feature of "upper-deck" travel on the Glasgow cars,

summer or winter; a second roof, or cover of any sort, has been found impracticable on account of the many bridges under which the cars must pass.

A new type of box-cars, the largest size that can be used on many of the crooked streets, and seating 36 passengers, is being installed on the Boston lines. And it is somewhat unjust to the Boston system, moreover, to estimate the average seating capacity solely on the basis of standard surface cars, even though there are 1,600 of these and only 174 of the elevated cars, which seat 48 each. An elevated car runs many more miles in a day than a surface car, and hence handles a much larger relative proportion of the traffic. While there are less than one-ninth as many elevated as either type of surface cars, the mileage made by the elevated cars is more than one sixth of the total made by the surface. This, of course, increases the average seating capacity of the rolling-stock as a whole.

In summer the average seating capacity of the elevated and open surface cars on the Boston system is nearly, if not fully, equal to that of the Glasgow cars, and this with protection from the weather, and without the delays and inconvenience in requiring passengers to climb to the roof. Double-deck cars were tried in Boston at one time, but abandoned because it was found impossible to handle heavy traffic with sufficient expedition; and it is chiefly on this account, in fact, that the street-railway judgment of this country has been, on the whole, against the use of this type of rolling-stock.

The Glasgow system, June 1, 1903, with 130 miles (measured as single track), represented a total capital investment of \$13,405,024, or \$103,115 per mile. The Boston system, including stock and bonds of leased lines, is capitalized at a little less than \$44,500,000; and if to this be added the cost of the city-owned subway, on which cost the company pays the interest and a liberal sinking-fund contribution, the total capital investment becomes approximately \$48,500,000, or \$110,227 per mile. There is no presumption of overcapitalization here, as compared with Glasgow, in view of the costly elevated and subway sections which form a part of the Boston service, and of the further fact that labor cost of construction in this country includes a

wage-rate practically double that of Scotland, and which is only partially offset by the superior skill and energy of our workmen.

The Boston system, with earnings of about \$12,000,000 annually, pays a direct tax of seven-eighths of one per cent. on gross earnings, a state corporation tax of about \$16 per \$1,000 of market value of the stock, and local taxes on its real property, in the various municipalities through which its lines pass, ranging from \$15 to \$20 per \$1,000 of assessed valuation; and, in addition, is required to remove snow and ice from, and maintain the paving on, the street surface occupied by its tracks. The interest which it pays on the cost of the subway is sufficiently in excess of the interest the city has to pay on the bonds issued for its construction, to retire the bonds and make the subway the city's property free and clear in less than forty years.

The total of these taxes and service obligations, and excess interest payment, now amounts to upward of \$1,550,000 a year, or nearly 13 per cent. of the gross earnings. Glasgow, with a street-railway revenue of \$3,178,471, in 1902-3, paid into the "Common Good" \$121,650; to which should be added the taxes which the municipality as a whole assesses upon the tramway property, amounting in 1902-3 to \$88,488. A further addition should be made of \$83,982, being the average annual payment by the Tramway Committee since 1894 into the sinking-fund for reduction of the capital debt; these payments, of course, are profit to the municipality, in that they give it that much clear interest in the property as an asset. The total of these payments which go to the public good is \$294,120, or slightly over 9 per cent. of the gross revenue. The Boston corporation, serving the same population as the Glasgow lines touch, pays to public-benefit account more than five times the gross amount so paid by the Glasgow system, and 39 per cent. more in proportion to earnings.

The question of fares cannot be considered apart from that of the amount of service furnished. What are the facts, then, as between Glasgow and Boston? Glasgow has a graduated scale of fares, ranging from 1 cent for a little over half a mile to 8 cents for nine miles. The standard 5-cent fare in this country takes a passenger 5.8 miles in Glasgow. Needless to say, the confusion and complications of such a system, for the varying distances

traveled, would prohibit it from meeting the demand for the utmost possible expedition on our large American city transit systems. Even more serious is the increasing rate of penalty it imposes upon the wide distribution of traffic, and hence upon the building up of workingmen's homes in the suburbs.

In Boston the uniform fare is 5 cents, and by means of the free-transfer privilege it is possible for this sum to ride from one end of the system to the other, fully 20 miles. Wage-earners and clerks employed in the business districts can live 8 to 9 miles out and ride to and from their homes for 5 cents, while the Glasgow "suburbanite," to travel equal distances, if the lines extended that far, would have to pay 7 and 8 cents, respectively. A journey of 15 or 16 miles out from central points in Boston, by connection with outlying suburban lines, may be taken for 10 cents, and 20 to 25 miles for 15 cents. The same distances under the Glasgow rates would cost 13, 14, 18, and 22 cents, respectively.

The short ride and congested-district character of the Glasgow service must be borne in mind in connection with the fact that the average amount received per passenger, based on the returns of annual earnings, is a little less than 2 cents. In Boston, counting the free transfer passengers, it is about  $3\frac{1}{4}$  cents. But what is the effect of the sliding scale on Glasgow traffic? Simply; that the great bulk of the travel consists of short rides within the city limits. *Thirty-six per cent.* of the passengers pay 1-cent fares—that is, ride only half a mile; 56 per cent. pay the 2-cent fare, covering 2.33 miles; only 8 per cent. pay fares of 3 cents and upward; in other words, only 8 per cent. make journeys of more than 3.5 miles.

To be even more explicit: The most distant suburban point to which the Glasgow tramways extend is Paisley, 6.95 miles. To get there costs 6 cents, or 7 from the center of the city. The next farthest point is Clydebank, 6.39 miles; fare, 6 cents. Three other suburbs are between 4 and 5 miles, and one about  $3\frac{1}{3}$ . From Park Street station, Boston, a passenger may ride 9.53 miles to Arlington Heights for 5 cents; 9.83 miles to Charles River Bridge; 8.23 miles to Arlington Center; 8 miles to Waverley; 7.9 miles to the Melrose line; 7.36 miles to Milton; 7.3 miles to Neponset; 6.32 miles to Woodlawn; and 6.04 miles

to Lake Street; and the uniform fare for any one of these journeys, or for any two of them in combination, through free transfer, is 5 cents.

The Glasgow system is not doing what it might and ought toward relieving the terrible congestion of workingmen's families huddled within the cramped distance limits. That the need of such distribution is great appears from the fact that more than 30 per cent. of the families in Glasgow, according to an investigation made a few years ago, were living in single rooms, as compared with about 1½ per cent. in Boston.

But there is yet another most important consideration entering into this matter of fares—the question of wages. The relation of wage-rates paid, to the average fare charged, is twofold.

First: Wages are by far the largest item of operating expenses, and, as between two systems using substantially the same traction methods and carrying approximately the same number of passengers per car, the one paying the higher wages must necessarily charge a higher rate of fare. If the system paying the higher wages also operates more lines and furnishes a larger number of cars for the amount of traffic handled, all the more reason why the rates of fare must be higher.

Both Glasgow and Boston use the system of electric traction. Boston operates more than three times more track, and runs 40 per cent. more cars in proportion to traffic. How about the wages. The pay of motormen and conductors in Glasgow ranges from 97 cents per day during the first six months to \$1.22 after three years of service. In Boston surface-car conductors and motormen receive \$2.25; elevated motormen, \$2.30 the first year, \$2.40 the second, and \$2.50 the third; brakemen, \$1.85; guards, \$2.10; while all these employees receive 5 cents per day additional after five years of service, 10 cents after ten years and 15 cents after fifteen years. These rates are about double those paid in Glasgow.

From the operating standpoint, therefore, whether it be in respect to wage expense, trackage operated, or amount of car movement, or all three, as is actually the case, there is abundant reason for higher average fares per passenger carried on the Boston system.

The second respect in which the wage matter relates to fares charged brings in the question of purchasing power. The differences between Boston and Glasgow street-railway wages reflect similarly wide differences between the general "run" of American and Scotch wages all along the line—not so great in some cases, of course; in others greater. It is one of the truisms of economics that prices are to be considered high or low, not absolutely, but solely with reference to the purchasing power of the community, and in a community where wages are practically double the rates prevailing in another, an average fare of  $3\frac{1}{4}$  cents would be, if anything, somewhat cheaper than one slightly under 2 cents in the other; at least, so far as concerns the army of wage-earners and clerks, and their families, who constitute the great majority of the patrons of any urban transportation system, and are the people to whom the matter of rates and service is of chief importance.

It may be urged, as accounting for some of the relative advantages of the Boston system, that it is surrounded on all sides by "feeder" electric roads which deliver passengers from an area including a considerably larger population than is brought into touch with the Glasgow lines. The fact is, however, that the bulk of the business from this wider area is handled by the suburban service of the steam railroads. Hundreds of trains each day, in and out of the two great terminals in Boston, accommodate an immense traffic, and not only from outlying points, but from stations directly within the territory of the Boston elevated, and in constant competition with it; so that the accounts are probably square in this respect. As a matter of fact, the proportion of traffic on the Boston Elevated Co.'s lines which does not originate within its own territory, compared with the total business, is small.

The reasonable deduction from these somewhat extensive comparisons seems to be that, while public ownership and operation of street railways, under the favorable civic conditions of British municipalities, in most cases give a better and cheaper service than was afforded by the various private corporations it supplanted, even this improved service is relatively meager in extent, and usually of mediocre quality, compared with Ameri-

can experience; and that the municipalized enterprises would break down entirely if subjected to any such tests as are commonly required under American conditions.

Glasgow was selected for comparison, as already observed, because it makes the best showing for municipalization, probably, to be found anywhere. In other British experiments results are less favorable, some of them markedly so; but in few of them have the facts ever been presented with sufficient clearness and fairness to warrant any very precise comparisons. The experiment of the London County Council in constructing electric lines in the south of London is a case in point. It appears that in 1899 the council's experts estimated the expense of this undertaking at about \$1,242,000. It has only recently been completed, and proves to have cost some \$4,800,000. In consequence of this excessive expenditure, there seems to be a fair prospect, according to the chairman of the Finance Committee of the County Council, that the expenses, and charges against these lines, will exceed the income, and the deficit will have to be added to the tax budget. Thus far, the net returns to the council from the south London system have not been anywhere near so great as those from the leased lines on the north side; but, on the other hand, the fares are somewhat higher on the private lines, and the service in some respects not so good.

The same uncertainty exists in regard to municipalization of electric lights. The *London Times* presents statistics showing that during 1901 the city of Salford lost \$36,441 on the operating account alone of its electric-light plant, to say nothing of the charges on the \$908,803 invested. Bath lost \$6,024 in the same year, on a plant which was purchased for \$119,217, and upon which \$379,548 had been spent. Even after this expenditure, the works broke down, and the city tried in vain to sell the outfit to a private corporation. Bedford lost \$14,598 on operating account; Bristol, \$12,165; Morley, \$9,732; Glasgow, \$21,980; Edinburgh, \$13,089. These facts certainly are striking. Granting that the *Times* was conducting a campaign against municipal ownership, and hence did not give the statistics for cities which may have had more favorable experience, the specific cases here cited are of such importance as to destroy any warrant for as-

serting in general terms that "municipal electric lighting is a success in Great Britain." It would be impossible to make such a claim, even if all the other experiments were financially satisfactory.

Coming to the United States, the briefest statement of the situation shows how slight a hold the public-ownership idea has obtained thus far. Chicago, it is true, has voted in favor of municipal ownership of the street railway, gas and electric-light plants; but in the present financial condition of that city there is little prospect of the proposal getting any farther. Thus far, only one community in the land owns and operates its own street railways, namely, Grand Junction, Colo., a town of less than 5,000 population. Of places of 3,000 population and upward, 193 are supplied with electric light by public enterprise, 1,190 by private; 20 operate municipal gas-works, 956 rely upon private companies; 1,465 have private telephone exchanges, while not one has embarked in this branch of municipal enterprise. Water-works and sewers, the two forms of municipal service requiring relatively the least of expert management and trained business judgment, are much more largely under direct municipal control; there being only 42 private sewerage systems against 1,045 public, and 661 private water companies against 766 public.

It is interesting to note that by far the larger number of municipally owned electric-light plants and gas-works are found in small places, where the conditions are relatively simple; very few of the large cities, where the demands of the situation are complex, extensive, and exacting have tried the experiment. Of cities of 30,000 inhabitants and upward, only four conduct municipal electric-light works, and three municipal gas-works: while in places of 3,000 to 5,000 inhabitants, 111 electric-light plants are under public management, and seven gas-works. In the six largest cities—New York, Chicago, Philadelphia, St. Louis, Boston, and Baltimore—both electric light and gas are supplied by private companies, with the partial exceptions that Chicago furnishes her own electric-street lighting, and the Philadelphia gas-plant, although leased to a private corporation, is owned by the city.

The Philadelphia experiment in gas-making is one of the interesting cases of municipal mismanagement on a large scale. After many years of operation by the city, the plant had so deteriorated and the financial losses to the city had so accumulated, the gas supplied was so poor in quality and high in price, and the political manipulations of the "gas ring" (which Professor Bryce says controlled 20,000 votes) became so notorious, that after a thorough legislative investigation the whole outfit was leased to a private corporation for a term of practically thirty years, or from December 1, 1897, to December 31, 1927. The conditions of the lease provided for a complete rehabilitation of the plant, declining price and improved quality of gas, and liberal annual cash payments into the city treasury.

In the four years previous to the making of this lease the expenditures incurred by the city in connection with operating the gas plant, including salaries of office employees, furnishing of street lamps, rentals, betterments, etc., exceeded the income by \$958,615.64, an average deficit of \$239,653.91 per year. The item of betterments during this period averaged \$365.498.02 per year. In view of the condition the plant was in when taken over by the private company, it is a fair inference that the bulk of these so-called "betterments" were virtually waste, yielding very little actual improvement in the efficiency of the works. But if we waive that point, and credit the full amount of the betterments to the city as permanent improvement of the plant, the current operating account, disregarding the betterments outgo, showed an average annual surplus of \$125,844.11. In the six years after the lease the cash payments to the city by the private company, in consideration of the privileges granted it, amounted to \$2,600,523.12, or an average of \$433,420.52 per year. Thus the gain to the city on current operating account alone, under the lease, has amounted to an average of \$307,576.41 annually, as compared with the four previous years. The private company now makes all the betterments (which go to the city free and clear at the end of the lease), and these must amount to \$15,000,000 during the term of the lease, or an average of \$500,000 per year. Adding to these guaranteed betterments the net gain on current operating account, it would appear that

the average annual gain to the city since the lease went into effect has amounted to \$807,576.41.

As a matter of fact, the company is making the bulk of the betterments in the first years of the lease. By the first of January, 1904, it had expended on this account a total of \$9,608,199.50.

And this does not tell the entire story. The company furnishes the city with gas for street-lamps and public buildings, free of expense, and is required to increase the number of street-lamps to the extent of 300 per year, as ordered by the City Council. At the same time, the average candle-power of the light supplied has increased from a range of from 19.04 to 19.47 in the four years preceding the lease, to a range of from 22.72 to 23 in the six years after the lease. The price per 1,000 feet is \$1, of which 10 cents goes to the city treasury. The city has the power to reduce the price to 90 cents, if it chooses to forego its own revenue of 10 cents; after 1907 it may reduce the rate to 85 cents; after 1912, to 80 cents; and after 1917, until the end of the lease, to 75 cents.

In addition, the item of making service connection and installing meters, part of which was formerly charged to the consumers, is now borne entirely by the private company. The city has the option of resuming possession of the plant January 1, 1908, but only upon condition of reimbursing the private company for all betterments made in the meantime. At the expiration of the lease the entire plant is to be turned over to the city, with all the betterments, free and clear. The issue of returning to city management or executing a new lease will then come before the city of Philadelphia, and if those who endured the service as it was before 1898 were to be the ones to do the deciding in 1927, there is little doubt what the verdict would be.

The experience of Boston a few years ago throws additional light on the difficulties of municipal ownership in this country. Under Mayor Quincy, a number of new municipal bureaus or departments were created, through which the city undertook to do its own printing, electrical construction, carpentering, and repairing, furnish its own ice, and so on. Under the succeeding administration of Mayor Hart, an experienced business man, it

was found that, instead of proving sources of economy, these bureaus were veritable waste-pipes leading from the city treasury, and they were closed up as fast as possible, with the exception of the printing-plant, for which a satisfactory offer could not be obtained. Among other things, it was found, for example, that the electrical equipment of a ferry-boat, which under private contract would have cost only \$6,800, cost \$10,200. Electrical work in the city building for hospital nurses cost \$4,754; by private contract it would have been \$1,528. Work on a city armory, which normally would have cost \$2,600, absorbed \$6,700 of the city's funds. Ice for public drinking-fountains, which private companies were furnishing at \$2 to \$3 per ton, was costing the city \$6.

Political appointees, numerically far in excess of the requirements of the service, and individually incompetent as a rule, had brought the bureaus to this extravagant pass; and it was virtually impossible to resist the drift in this direction, because the Common Council would not vote money enough to carry on the work of the departments, unless "places" were made for the favorites of the aldermen, as demanded. Chief Electrician William Brophy, of the Boston Wire Department, reported to Mayor Hart:

A glance at the pay-rolls shows that nearly 60 per cent. of the men whose names they contain were appointed at the request of certain prominent gentlemen, who, to say the least, are not the best judges of the necessary qualifications of the employees of this department.

And among these employees, it is hardly necessary to add, there was a more or less general adoption of that leisurely gait which already has come to be known on the state-managed industries in New Zealand as the "government stroke."

Civil-service regulations proved no safeguard against these aldermanic raids, and the efforts to get around the rules were even carried to the extent of supplying a variety of ordinary employments with new and singular names for which no civil-service examinations existed!

On the general question of whether such abuses could be overcome, and a civil-service system devised which would provide a really satisfactory selection of employees for socialistic municipal enterprises, it seems high time to remark that the

extent of effectiveness of any civil-service test, where more than somewhat perfunctory service is required, is very easily overestimated. It has become a sort of fetish in the popular mind, to such an extent that very many participants in this line of discussion have made the tacit admission that if a rigid civil-service system could be established, it might then be a feasible to place industrial enterprises under the management of government bureaus. But the truth is that no civil-service examination ever devised is adequate to select out industrial capacity, or catch in its meshes that indefinable, unclassified, evasive quality of practical genius which enables one man to take charge of a business undertaking and bring it through to success, while another, of equal or even superior technical knowledge, makes a total failure of the attempt.

Natural selection is the only method that has ever been found to develop the highest type of managing ability in the industrial field, and no feasible substitute for it has ever been proposed. How would it be possible, for example, to establish tests of business policy and management which should be regarded as the accepted "standards"? There are, in fact, no accepted "standards" of policy for the successful conduct of business enterprises. The conditions of success are not only constantly changing, but they are widely different at one and the same time, in different plants, according to the situation, character of the market, previous traditions of the business, and a hundred and one features irreducible to concreteness. What might be regarded as essential business principles in one situation, and made the basis of a general competitive examination, might yield a group of successful candidates notably unfit to conduct enterprises under the varied and changing conditions of other situations not covered by these established tests. On the other hand, it is doubtful if some of the most successful managers of modern industries could themselves pass an examination of the sort which would probably be regarded as necessary to select the best managing talent.

To bring all these considerations to bear against the municipal operation of complex industrial enterprises is not, however, to concede the entire case to the opposite contention of unlimited

private control. There are grave abuses and inadequacies in private management, here and there, as well as under public enterprise, although usually of a different character, and capable of being remedied by other means than sacrificing the positive advantages and permanent incentives to efficiency and improvement, furnished by the element of individual rewards and penalties. In other words, there is a middle ground of *public control*, to which attention may well be drawn, since here, indeed, is a really fruitful field.

The transportation system of Boston was selected for comparison with Glasgow intentionally, because it affords the best illustration in evidence anywhere of this attempt to solve the municipal-service problem along the lines of public control. The public control here exercised is both specific and general: that is, the Boston Elevated Co. operates under certain restraints and requirements imposed equally upon all street-railway corporations in the commonwealth, and in addition is subject to an comprehensive set of special regulations framed in recognition of the peculiar conditions of metropolitan transportation.

In addition to the various taxes already specified, whereby the public receives its contribution to the "Common Good," it is provided that, if any dividends are declared in excess of 6 per cent., an amount equal to the excess shall be divided among the cities and towns in which the company operates. In point of fact, whatever has been earned in excess of 6 per cent. thus far has been turned back into improvement and extension of the system, and this may be expected to continue for a number of years; the plans for development of the Boston transportation facilities are of a most comprehensive character, and the work is steadily in progress. The division of profits above 6 per cent. (8 per cent. in the case of all other street-railway companies) is probably the least important of the Massachusetts public-control features; it may possibly, however, act as some measure of protection of the Boston system and its present exceptionally public-spirited management, against becoming the prey of speculative interests ambitious to exploit the property solely for the quick profits to be got out of it.

The general body of Massachusetts street-railway legislation

is very largely the outgrowth of an official investigation in 1897, by a special committee, whose report is perhaps the most valuable and suggestive that has appeared on the subject. This legislation is of an advanced character, providing very careful protection of public interests and close supervision of quasi-public enterprises. As a matter of fact, for more than half a century Massachusetts communities have held the power of life and death over street railway corporations, at short notice. The franchises of any such company are nominally perpetual, but they are subject to revocation at will in and by the communities through which its lines pass, the only appeal being to the State Railroad Commission. The commission may nullify the revocation, or sustain it if in its judgment the public interests so require, what ever the cause of complaint against the offending corporation.

In other words, a street-railway franchise in Massachusetts is what the investigating committee of 1897 termed a "tenure during good behavior;" the sole exception to this indefinite-term principle being in the case of the Boston Elevated Railway. In view of the extraordinary investment required for permanent plant, the Boston corporation holds perpetual franchises for the right of way of its elevated structures, subject only to revocation of its charter; and, by virtue of taking over the West End Street Railway, the Elvated Co. operates under a twenty-year lease of the subway, originally granted to the former corporation. The surface-line franchises, however, are revocable by the municipal authorities.

The State Railroad Commission is not only the final arbiter of life and death for street-railway companies, but it determines in the first instance, by careful inspection of the proposed routes, plans, etc., whether the capital stock to be issued corresponds with a fair estimate of the actual expense of construction to be incurred; and no corporation may issue stock in excess of that decision. All increases of stock must be authorized, and the price per share at which it may be sold to those already owning stock must be fixed, by the commission. The price so fixed must represent as nearly as possible the market value of the stock at the time. No certificate of original stock may be issued until the

par value thereof has been paid in, in cash: and no stock or scrip dividends may be declared, or proceeds from the sale of stock divided among the stockholders; these restrictions apply to all public-service corporations. Bonds may not be issued by street-railway companies until the Railroad Commission is satisfied that the value of the real and personal property of the company for railroad purposes exclusive of the value of the franchises, equals or exceeds the amount of capital stock and debt. These provisions render stock-watering virtually impossible.

The railroad commissioners, also, may nullify at their discretion any location granted through a street for a new street railway or extension of an old one, in case a majority in value of the owners of real estate on that street, or ten such owners, appeal to the commission within thirty days after the location is granted. Even after the work of construction is completed, operation may not begin until the commissioners have certified that the laws relative to its construction have been complied with, and the board's engineer has inspected the line in detail and found everything safe and adequate. Thereafter the commission may revise or alter any regulations of a street-railway company for the use of its road or cars; may determine how and to what extent cars shall be heated; and the companies forfeit \$25 for each trip upon which the cars are not so heated, unless the failure is due to an accident to the heating apparatus. The district police are required to enforce this provision. If the commission considers that additional accommodations are required, after due notice to the company it may order such additional accommodations, and after one week from the service of such notice, if the company neglects to provide them, it forfeits \$100 for each day of such neglect.

Transfer privileges may not be withdrawn except upon approval of the Board of Railroad Commissioners. The books of every railroad corporation must be kept in a uniform manner, upon a system prescribed by the commission, the accounts examined from time to time, and the results made public as the commission may consider expedient. Such examination and publication of results may be compelled at any time by application of

any persons owning one-fiftieth of the paid-in stock of the corporation, or bonds or other evidences of indebtedness equal in amount to one-fiftieth or such stock—an important provision in protection of the minority stockholder, creditor, or bond-holder. A five-thousand-dollar fine is the penalty for refusal or neglect of any such corporation to exhibit its books and accounts whenever the commission requires.

These are only illustrations of the far-reaching supervision exercised by the Massachusetts Railroad Commission. No other in the country is endowed with powers so sweeping; no other stands so high in reputation for ability, fairness, and unimpeachable honesty. Only because its extraordinary authority is never abused is it possible to continue that authority in active exercise. The commission is securely intrenched in the respect and confidence of all elements in the community; so much so that it has become in many cases a custom of opposing interests, corporate and otherwise, to refer controversies to it for decision; and, although the decision is often adverse to the corporation interests, sometimes to the extent of important and expensive changes in plant or equipment or method of operation, the commission still remains the preferred tribunal.

The general attitude of the present commission toward the street-railway problem is admirably summed up in a paragraph of its recent decision in the Springfield case, referred to. The commissioners say:

The operation of street railways in the larger municipalities has shown that the traffic within city limits can be handled with greater success and greater safety by one than by several companies. It will not do, however, for a company which receives the privileges of monopoly to forget the obligations which go with them. The public in such case can look to the one company only for useful extensions and additional accommodations. In response such company should be quick to meet all reasonable demands. When it undertakes to perform the entire public service, it must carry out the task.

The Massachusetts Commission consists of three men, appointed by the governor with the consent of the special advisory body known as the "Council," and each holds office for three years. Its integrity is preserved through two considerations: the virtual absence of attempts on the part of Massachusetts corporations to control it by influencing the election of a "friendly" governor, and the positive demand of public senti-

ment for a commission that shall be above criticism. To appoint to this commission a man open to suspicion of representing special interests would be hardly less disastrous to the future political prospects of a public official than an attempt to "pack" the Supreme Court with political or corporate favorites.

It might be expected from all too familiar experience elsewhere that the power of revoking franchises would be in constant use as a club for blackmail extortion; and with a less active public conscience than still prevails, for the most part, in Massachusetts, it probably would be. But in the Bay State a liberally managed, law-abiding corporation is practically as sure of fair treatment and a long lease of life as if its franchises were absolute for twenty, thirty, or fifty years. In fact, the half-century of experience with revocable franchises was so satisfactory to all concerned that in all the hearings before the investigating committee of 1897 no request to change this feature was made by any municipality or corporation in the state.

Other public-service corporations are likewise under strict provisions of public control. Gas and electric-light companies are under the supervision of the State Board of Gas and Electric Light Commissioners, who have the power of examining accounts, etc. Telephone and telegraph corporations, and water companies, are under the state commissioner of corporations, who is also the commissioner of taxes. All issues of stock or bonds of any such corporations must be approved by these commissioners respectively, as the case may be, and must be on the basis that the amount is "reasonably necessary for the purpose for which such issue of stock or bonds has been authorized." Whenever the mayor of a city or selectmen of a town, or twenty customers, complain as to the price or quality of gas or electric light furnished, the Board of Gas and Electric Light Commissioners must notify the corporation and order a public hearing, and after the hearing may order such reduction of price or improvement in quality as the facts brought out may warrant. The price so fixed may not be increased, except that any corporation may apply for a new hearing, if it considers itself aggrieved.

The annual expenses of the Board of Railroad Commissioners and the Board of Gas and Electric Light Commissioners are

charged upon the various railroad and gas and electric-light corporations, respectively, in proportion to their gross earnings.

All corporations in Massachusetts, of whatever kind, are subject to state taxation upon the value of their "franchises," representing the right to do business—an express assertion of the principle that the carrying on of an industrial enterprise is a social privilege rather than a fundamental or natural individual right. The value of the franchise is determined by the state tax commissioner, and is arrived at by taking the total market value of the stock of the corporation at the time of the assessment, and making certain deductions therefrom, as follows: In the case of a telegraph or railroad or street-railway company, the value of its real estate and machinery subject to local taxation within the commonwealth is deducted; also so much of the value of its stock as is proportional to the length of its lines lying outside the state. In the case of telephone companies, the value of the real estate and plant subject to local taxation within the state is deducted; also the value of all stock of other corporations held by a "domestic"<sup>1</sup> telephone company, and upon which a tax has been paid in Massachusetts or any other state for the preceding year; and so much of the value of the stock of a "foreign"<sup>1</sup> telephone company as is proportional to the number of telephones it owns or controls outside the state. In the case of all other corporations, manufacturing, etc., the value of real estate and machinery subject to local taxation is deducted. And it should be noted that the assessments for local taxation of corporations are subject to equalization or alteration upon proceedings which the state tax commissioner has power to compel.

The differences between the total market value of the stock and the various deductions specified is considered to represent the value of the franchise, and this is taxed at the same rate as that ascertained for the general state property tax in any given year.

That a system of public espionage and control so thorough-going and rigid as this should have given satisfactory results, on the whole, and without serious abuses, is a tribute to the

<sup>1</sup> "Domestic" corporation organized under Massachusetts laws; "foreign" under laws of some other state.

relatively high standards of civic life and general political conditions maintained—not without exceptions, to be sure—in the commonwealth, and it would take considerable optimism to assume that similar regulations would work equally well everywhere—or even anywhere—else in the Union. The city of Boston is the danger spot, and source of constant menace to the just exercise of these extraordinary powers over corporate property; and many times there has been occasion to realize how narrow is the margin of safe control in the hands of decent elements, which prevents the legislative system from being converted into a weapon of plunder in the hands of professional blackmailers and “grafters.”

However, if Massachusetts has to fight at every step for the integrity of her public-control policies, where shall be found the justification for other and less favored communities rushing away beyond these limits to the extreme experiment of public ownership and operation? If an effective system of regulation cannot be maintained in our large cities, because of political corruption, what hope is there for the success of absorption outright, placing public-service facilities wholly in the hands of the selfsame political influences?

Public control retains the vital spark of individual enterprise and the incentive of private reward, which have kept alive the spirit of industrial progress and brought nearly all the material gains of civilization into being; and at the same time asserts in practical form the right of the whole community to hold self-interests within just bounds and guarantee to itself such benefits as its own contribution to the success of the enterprises entitles it to demand. There is “hard Yankee sense” in such a program. It does not violate the American idea of individual achievement. It has shown itself practicable under at least some American conditions. But the first task of the municipal reformer is to bring the general civic conditions themselves to some permanent and dependable plane of honesty, public spirit, and cleanliness. If public control cannot succeed on any lower level than this, what would happen to public ownership?



## ADDITIONAL REPRINTS

Calgary, Alberta, Canada. City Clerk. Municipal Manual,  
1913. pp. 46-9.

### Municipally-Owned Industrial Sites.

Chief among the inducements Calgary offers to manufacturers are the industrial sites owned by the city. These are located in various parts of the city and were purchased some two years back, to provide for the rapid industrial development, which was then and is still taking place in the City of Calgary.

"Manchester," immediately within the southern limits of the city and situated on the Calgary-Lethbridge branch of the C. P. R., is offered manufacturers desirous of locating in Calgary, on the following terms:—

1. Cost price \$1,200 per acre; one-third cash, the balance in equal instalments divided over a term agreeable to the purchaser, up to six years, with interest at 6 per cent., payable annually.
2. (a) The purchaser or purchasers must agree that all buildings erected on land bought by them shall conform to the requirements of the second-class fire limits of the city.
2. (b) To use the land for 10 years from the date of purchase for manufacturing purposes only, and after 10 years for the same purpose until otherwise allowed by by-law of the City of Calgary.
2. (c) To begin building operations on the land purchased within six months from the date of purchase and to complete the buildings within a reasonable time, and if the purchaser or purchasers fail to carry out this provision the agreement shall be void and the land revert to the city.
2. (d) That he or they shall not assign or sublet without the consent of the Council of the City of Calgary.

2. (e) To pay the City of Calgary its proportionate share of the rental of the main spur or spurs constructed to serve the subdivision.

Street cars, sewer, water and electric light are extended to and in use in "Manchester." This property is approximately two and one-half miles from the postoffice. Applications for sites in this property should be made to the Railways and New Industries Committee of the City Council, and addressed in care of the City Clerk.

Two miles east of the city limits and about five miles from the postoffice, lies another tract of land owned by the city, for use as industrial sites. This property is served by the C. N. R. and the G. T. P. railroads. The Alberta Interurban Railway proposes to erect their shops on this property. The city holds an agreement with the vendors from whom this site was purchased, whereby the vendors agree to hold the east half of those blocks lying east of the city property, up to November, 1914, for working men's home sites, to be sold to industrial or manufacturing concerns locating on this property at not more than \$100.00 per 25 foot lot and to be used for the purpose above mentioned.

The city also owns several blocks of land in the subdivision known as Calgary Junction.

Another site owned by the city within easy reach of the business districts of Calgary, lies about two miles northeast of the postoffice. The Calgary-Edmonton branch of the C. P. R. runs through this property.

The three sites last mentioned have not yet been placed on the market, but when there is a demand for them they will most probably be offered at the same advantageous terms as are in force in "Manchester."

Industrial sites will be sold only to bona fide manufacturers fulfilling the above-mentioned terms.

The city has power to limit the assessment on land used for manufacturing purposes to \$3,000.00 per acre up to date of January 1, 1918, and to \$5,000.00 per acre until January 1, 1923, and to exempt from taxation buildings, improvements, machinery and stock being used on said land, subject to a

by-law providing for such exemption being ratified by the people as in the case of a money by-law.

The above clause does not mean that the industrial concerns are exempt from local improvement taxation.

If the aforesaid land, buildings, stock or improvements cease to be used or occupied for the purposes aforementioned, such land, etc., so ceasing to be used or occupied shall be liable to taxation in the usual manner.

Calgary, Alberta, Canada. City Clerk. Municipal Manual,  
. 1913. pp. 83-4.

#### Municipal Asphalt Paving Plant.

The asphalt paving plant which is owned and operated by the City of Calgary, is situated on the banks of the Bow River, just west of Mewata Park.

The plant, when in operation, is capable of constructing 1500 sq. yards per day, but this capacity will be largely increased when the addition, which is being made to the present plant, is completed.

The cost of the paving plant up to date of January 1, 1913, was \$49,000.00 but a large sum is being expended in making an addition.

Pavement is laid by this plant at an average cost of \$2.10 per sq. yard. This price includes an allowance for debenture interest, sinking fund, and depreciation of the plant. Pavement laid for this sum shows a great saving when compared with the price paid to paving companies under contract with the City.

The above-mentioned plant has been in operation since July of the year 1912 and has proved an unqualified success.

Calgary, Alberta, Canada. City Clerk. Municipal Manual,  
1913. pp. 84-97.

#### Calgary Municipal Street Railway.

The City of Calgary, having a population of 35,000 successfully launched an up-to-date street railway service on July 5, 1909.

For several years capitalists endeavored to get the franchise, claiming that it could not be operated at a profit. The city, however, did not give this away, but voted \$476,000.00 to build and operate it as a public utility, and although it was not anticipated that more than operating expenses would be received for a few years, it has been a success from the start. Beginning with twelve cars of the most modern type—pay-as-you-enter—it returned the city interest charges and a surplus of \$10,000.00 for contingent account, during its first six months' operation.

Construction was commenced September, 1908, and one-half mile of track was laid that Fall. During the paving of the main street, on May 1, 1909, work was again proceeded with, on the arrival of rails and material. Twelve "pay-as-you-enter" cars, 41 ft. 6 in. long, were ordered, and the work of construction was pushed day and night, with a view of having a portion of the system in operation for the Alberta Fair, July 5, which was accomplished by a close margin. The power generator arrived July 1, and two cars on July 2. The railway officially opened at 8 a. m. on July 5, with two cars, operating from the centre of the city to the fair grounds, a distance of about one-half mile, to the great surprise of the citizens and the visitors generally, as it was not expected possible to carry out the work in such time.

During fair week 35,460 passengers were carried without an accident or interruption of any kind, and as this work thereafter proceeded and additional cars arrived, they were added so that by September 15 twelve cars were in operation, on sixteen and one-half miles of track, four miles of which were paved.

This work was carried on by five paving contractors and one track construction company, who had the contract for the unpaved section, the city doing all special work, intersections and overhead, under the supervision of City Engineer Childs and Superintendent McCauley.

All materials and construction is of the best; tubular steel poles being used on the paved sections; the pavement, which is composed of granitoid, wood block, bitulithic and asphalt;

the track on such sections being laid on a sub-base of four inches of cement, with six-inch ties being spaced four feet apart, grouted in with cement, representing on the granitoid pavement sections seventeen inches of bed.

The rails are 60 and 80 lb., Lorain 6-inch and 7-inch section, 60 feet long, high "T" bonded with double compressed bonds; all intersections are manganese steel, supplied by the U. S. Steel Company and Hadfields, of Manchester.

Overhead feeder wires are of aluminum, and all material is of the best quality, nothing being spared to make the system permanent in every particular.

After a completion of the work, as first estimated, a surplus was saved sufficient to purchase six additional cars 46 feet 6 inches long, which were received July 1, 1910, giving an equipment of 18 cars. In September, 1910, a further by-law was voted to extend the line 24 miles, and purchase 12 additional cars and equipment, at a cost of \$484,000.00. These cars were received and 24 miles of additional extensions constructed in 1911, giving a total mileage of forty and one-half miles and thirty cars.

A further by-law was passed by the Council, to a vote of the ratepayers, October 3, 1911, for \$375,000.00, to construct twelve additional miles of track, purchase 18 cars (passenger), one scenic car and one sprinkler car; add to the car barn and equip the system with all modern appliances, which has been carried out.

With the decision of the C. P. Ry. to erect their Western shops in Calgary, a further by-law was passed to construct three miles of line to these shops, and to purchase complete six 46 feet 6 inch cars, at a cost of \$82,000.00, making the equipment 54 passenger, 1 observation and 2 sprinkler cars; 55½ miles of track, with 3½ miles donated to the city—a total of 59 miles.

With this gift 86 acres of a park were also given, on the Bow River, beautifully situated, wooded, and also water suitable for boating.

During the year all the line feeders within three-quarters of a mile of the power house plant have been placed under-

ground. Two additional sub-stations for light and power for the railway, are under construction, which will increase the railway power 1,200 k. w. hours.

At present power is supplied by two 500-k. w. direct driven steam units as an auxiliary, and one 300-k. w. and one 1500-k. w. motor generator, for which power is purchased from the Calgary Power and Transmission Company at \$30.00 per horsepower.

The power department is separately operated, supplying the city with light and power, and charges the railway for such power as it uses, at 2 cents per k. w. hour.

Five classes of tickets are used: "School," good to and from school for adults and any time for children, 10 for 25 cents; "Work," good morning and evening, 8 for 25 cents; "Ordinary," good any time, 6 for 25 cents. "Ordinary," 25 in book form, \$1.00; and pads of civic employees' tickets, 30 for \$1.00, the latter charged to the departments in which they are used.

No passes are issued to anyone, but transfers are made from the different routes at ten different points in the city, and a labour fare between 12 and 2 p. m. is being considered.

Employees are paid a sliding scale, representing after three months' service, 28 cents; second six months, 30 cents per hour; for the second year, 32 cents per hour; for the third year, 34 cents, and after three years, 35 cents per hour.

Free winter coats, and half cost of uniforms are granted, with free uniforms after one year.

Politics are not permitted to enter into the operation of the system, the Superintendent being the sole judge of qualification necessary, and dismissals are made subject to employees having the right to appeal to a committee, composed of the officers of the Street Railway Sick Benefit Association, to arbitrate with the Superintendent should any dispute arise.

The above association was organized May 1, 1912, and is composed of all the operating staff with proper officers and constitution.

The fees are: \$2.00 entrance fee and \$1.00 per month thereafter, one-half of which is paid to the association's treasurer

by the street railway department, leaving the members' fees \$1.00 entrance and 50 cents per month.

For this, on a duly signed certificate from the doctor, members receive \$1.50 per day during sickness after four days, and free private ward in hospital in case of injuries received in the service.

The railway department also furnishes free club rooms, piano, pool, shooting galleries, etc., where concerts, dancing and competitions are regularly held.

Under agreement with the railway, all employees agree to become members, and also if required, become district constables, so that they may maintain order on the system if necessary.

Operated by the City Commissioners: Mayor J. W. Mitchell, as chairman; A. G. Graves and S. J. Clarke as Commissioners, with Superintendent McCauley in charge, the following results have been shown up to June 30, 1912, as reported to the Minister of Railways, in annual report:

**BEGAN OPERATIONS JULY 5, 1909—TWO CARS.**

*From July 5, 1909, to June 30, 1910.*

Revenue .....	\$144,244.18
Operating expenses .....	87,263.36
 Surplus from operation .....	 \$56,980.82
<b>Less—</b>	
Interest on debentures .....	\$ 22,860.00
Sinking fund .....	4,685.29 27,545.29
 Nett profit .....	 \$29,435.53
Passengers carried .....	3,649,697
Miles operated .....	500,622
Salaries paid .....	\$46,513.42

*From July 1, 1910, to June 30, 1911.*

Revenue .....	\$275,434.51
Operating expenses .....	139,601.98
 Surplus from operation .....	 \$135,832.53

Less—

Interest on debentures .....	\$ 23,220.00
Sinking fund .....	9,370.00
Contingent account 5 per cent.	
gross revenue .....	13,771.72
Taxes .....	2,264.17
	\$ 48,625.89

Nett profit .....	\$ 87,206.64
Passengers carried .....	7,176,086
Miles operated .....	801,086
Salaries paid .....	\$76,686.85

*From July 1, 1911, to June 30, 1912.*

Revenue .....	\$470,240.24
Operating expenses .....	282,600.56
Surplus from operation .....	\$196,639.68
Less—	
Taxes .....	\$ 2,264.18
Interest on debentures .....	45,000.00
Sinking fund .....	18,160.00
Contingent account 5 per cent.	
gross revenue .....	23,962.01
	\$ 89,386.19

Nett profit .....	\$107,253.49
Passengers carried .....	12,941,530
Miles operated .....	1,643,328
Salaries paid .....	\$172,521.75

*For Four Months, ending October 31, 1912.*

Revenue .....	\$230,984.25
Operating expenses .....	139,159.83
Surplus from operation .....	\$ 91,824.42
Less—	
Interest on debentures and sinking fund .....	\$ 25,953.62
Contingent account 5 per cent. revenue .....	11,549.19
	\$ 37,502.81
Nett profit .....	\$54,321.61

Passengers carried .....	5,547,809
Miles operated .....	810,826
Salaries paid .....	\$89,160.15

Calgary has grown during the past three years from 35,000 to a population of 75,000.

The above nett profits are clear of all charges, covering operating expenses, interest, sinking fund, and 5 per cent. of the gross revenue, as a contingent fund provided to cover accidents to the public and the employees, and provide for renewals and contingents of all kinds, not otherwise provided for.

The surplus in this account for the year ending June 30, 1911, was \$13,771.72, which, added to the sinking fund (provided for the same period) of \$9,370.00, amounts to \$23,141.72; and from June 30, 1911, to June 30, 1912, \$42,122.01, or more than twice the amount set aside by private corporations as a renewal or contingent fund.

The following statistics show the growth of the system:

Cars operated July 5, 1909.....	2
Cars operated July 1, 1910.....	15
Cars operated July 1, 1911.....	22
Cars operated July 1, 1912.....	48
Cars operated Dec. 31, 1912.....	54

#### *Miles of Track.*

July 5, 1909 .....	3 Miles
July 1, 1910 .....	16½ "
July 1, 1911 .....	26½ "
July 1, 1912 .....	54 "
Dec. 31, 1912.....	59 "

#### *Employees.*

July 5, 1909 .....	16
July 1, 1910 .....	62
July 1, 1911 .....	102
July 1, 1912 .....	246
Dec. 31, 1912 .....	266

Aside from the regular service, an observation or "Seeing Calgary" car is operated over the different routes, on hourly trips, at a cost of 25 cents, from which all the principal parts of the city may be seen, and are announced. This car cost, complete, \$7,500.00.

This car is the original and only one of its kind; 46 feet long with elevated seats; bronze fittings, bevelled plate glass mirror sides, etc.

It has been found a good investment, earning as high as \$124.00 per day of nine hours operation. Six additional 46 feet 6 inch cars were received from Preston, Ontario, on Nov. 25, making 54 cars, and during 1913 large extensions are provided for, including 24 additional motor cars, 41 feet and 46 feet long, and 6 trail cars, 44 feet long, the latter of which will be operated to the C. P. R. shops as train cars.

Also 4 work cars, 1 sprinkler and 1 large power construction car, which will give the system 78 motor passenger, 6 trail, 1 observation, 9 work or freight cars, 3 sprinklers and 1 sweeper--or a total of 98 cars of all classes.

Aside from the above 17 miles of additional track will be constructed, and an additional car barn and its equipment added, all at a cost of \$500,000.00, which will place the capital expenditure, including paving costs, at \$2,300,000.00

As the railway purchases power from the City Power Department, that department furnishes the necessary plant, which is being increased by three sub-stations, and the addition of 2,100 horsepower.

Of the 59 miles of track now constructed, 26 miles is permanent work on paved streets, and it is expected in 1913 to pave an additional 9 miles; therefore it is clearly shown that Calgary in operating its municipal railways is doing so on a sound and business basis, and controls its own streets without dictation by any monopoly, and conserving the profits, which for the year 1912 will amount to over \$100,000.00, for the reduction of taxes and local improvement, besides operating two 5,000-gallon electric car sprinklers over the streets covered by the railway, without charge.

Regina, Saskatchewan, Canada. City Clerk. Municipal Manual, 1913. pp. 40-3.

### Electric Light and Power Plant.

The Electric Light and Power System is owned and operated by the City. This utility is not only self-sustaining, but revenue producing, showing a surplus of revenue over expenditure of \$102,000 in 1912. The generating plant consists of:

- 6 boilers, aggregating 2,000 h. p.
- 1 100 kw. Ideal Engine type generating unit.
- 1 450 kw. low pressure Turbine generating unit.
- 1 1,500 kw. high pressure type generating unit.
- 2 400 kw. direct current railway units, vertical engine type.

Some 300 arc and 50 incandescent street lights are in use, and provision has been made for the installation of 300 additional arc lights during the year 1913. Provision is made in the capital estimates for 1913 for the sum of \$425,000 for the construction of a new Power House complete with the most modern machinery and equipment, it being the intention, on completion of this building, to convert the present Power House into a pumping station.

Provision is also made in the 1913 Capital Estimates for the sum of \$25,000 for investigating and reporting upon the construction and operation of Gas Works, and the preparation of plans and specifications, it being the intention to commence the construction of a Gas Plant early in 1914.

### Rates.

For energy used in one installation and registered on one meter in one month.

#### *Light.*

First 300 kw. hours at 7c; all used in excess of 300 kw. at 6c per kw. hour.

Light used in day time on two rate meter in installation of over 5 kw. of maximum demand, 5c per kw. hour.

*Power.*

First 300 kw. hours at 5c per kw. hour; 300 to 600 kw. at 4c per kw. hour. All in excess of 600 at  $3\frac{1}{2}$ c per kw. hour.

For power used in day time on two rate meters in installation over 5 kw. of maximum demand, 3c per kw. hour.

*Heating and Cooking.*

Energy for heating and cooking apparatus supplied at power rates.

A minimum rate of \$1.00 per month to be charged on all light services and \$1.00 per month per connection h. p. in motors or kw. of maximum demand for heating services.

Special rates arranged on large power services according to condition of service.

Meter rental for light, 25 cents per month.

Meter rental for power, 50 cents per month.

Meter rental for two rate meter, 50 cents per month.

Meters are furnished for all installations. Burned out lamps are renewed by the City, and lamps sold at the Electrical Department Office at corner of Dewdney and Broad Streets.

Accounts are rendered monthly by the City Treasurer and are payable monthly. Ten per cent. discount is allowed on current light and power only if paid within ten days of account leaving treasurer's office.

In the event of nonpayment of account, connections are cut off within twenty days after date of mailing and a fee of \$1.00 charged for each reconnection.

**Regina, Saskatchewan, Canada. City Clerk. Municipal Manual, 1913. pp. 59-61.**

*Street Railway.*

In 1910 it was decided to undertake the installation of a Street Railway System as a municipal enterprise. The Council submitted to the ratepayers the question of granting a franchise to one of a number of companies, who applied for

it; but, notwithstanding that unusual difficulties would have to be overcome, they decided that it would be undesirable to grant a franchise.

The work of construction was commenced in the spring of 1911, and on July 29th the first service was instituted, and a constant service has been maintained since that date.

The following are details of the system up to December 31, 1912.

Capital Expenditure .....	\$922,000.00
Mileage of Track.....	16
Rolling Stock .....20 cars, 1 snow sweeper	
Gross Earnings for 1912.....	\$100,842.00
Operating Expenses, 1912.....	\$ 85,900.00
Total Number of Passengers Carried to Dec. 31st,	
1912 .....	2,195,726

The system has proved to be a much appreciated utility; and a comprehensive scheme of extensions is outlined for 1913, covering practically the whole area within the city limits, and providing for some fifteen (15) additional miles of track; fourteen (14) additional street cars, several freight cars and other freight equipment, and additional plant for power.

#### *Spur Track System.*

The city is fortunate in possessing considerable property, which was transferred to it from various sources in the past and which at the present time, forms an exceedingly valuable asset. Parts of this property have been sold from time to time and built upon, and it is being handled in such a way as seems best to enhance the development of the city. A section of city property covering about 320 acres has been set aside as an Industrial District, and is being served by spur tracks laid out in a suitable way to serve all the district from the Canadian Northern, Grand Trunk Pacific and Canadian Pacific Railways. A large Industrial District containing many warehouses doing an extensive business has grown up in this area, the wholesale distribution business amounting in 1912 to over \$40,000,000. The City holds warehouse sites throughout this district, which are served by spur

tracks, at a value of from \$1,000 to \$2,000 for lots 25x125 in size, except corner lots which are sold at a slight additional advance on this price. This is less than the actual value of the property, and in order to ensure that the property will be developed when sold, restrictions consistent with the conditions set out in the application are made whereby the purchasers are required to develop the property within one year from the date of purchase. The property throughout this district is being sold very fast, with corresponding rapid development, thus showing that business men looking for sites for their various businesses appreciate the advantages offered to them by the city in this regard.

**Winnipeg, Manitoba, Canada. City Clerk. Municipal Manual, 1913. pp. 92-5.**

#### Municipal Ownership.

The City of Winnipeg is a firm believer in Municipal Ownership of all public utilities. The City owns and operates its Hydro-Electric Power Works, Water Works Plant, Street Lighting System, Stone Quarry, Fire Alarm System, Police Signal System, Fire Service Water Works, Asphalt Plant and Gravel Pit. Winnipeg enjoys the distinction of being the first city in America to acquire a Municipal Asphalt Plant.

#### **City Quarries:**

The first quarry was opened in 1897, and made a separate department in 1901. New quarry opened at Stony Mountain in 1906 comprises 80 acres.

#### **Output:**

1901—21852 yds. at \$1.30.....	\$ 28,407.60
1911—89119 yds. at \$1.20.....	106,942.80
1912—84221 yds. at \$1.10.....	92,643.10

#### **Paid in Freight—**

	<b>Wages</b>
1901—\$16,984.00 .....	\$26,219.00
1911—\$26,998.99 .....	41,824.68
1912—\$23,559.22 .....	47,173.56

**City Gravel Pit—**

This plant was started in 1882 and was placed in the Quarries Department in 1912. Lot contains 40 acres.

**Output:**

1911—51090 yds. at 65c.....	\$33,208.50
1912—65136 yds. at 60c.....	39,081.60

**Day Labor:**

The Pavements, Sewers and general improvements constructed in the City, including Water Works extensions, are done very largely by day labor at a considerable reduction in cost to what it was under the contract system.

**Fire Service Water Works:**

The City has installed a High Pressure Water System for additional fire protection in the central business parts of the City. The plant consists of four large and two small Glenfield-Kennedy pumps driven by Crossley gas engines and has a capacity of 9,000 gallons per minute at 300 lbs. pressure. The cost of the system is assessed upon the properties within the benefited area, but the City at large pays the cost of maintenance and operation.

No. of miles of mains.....	9
No. of hydrants.....	95

**Gas Works:**

The City has the authority to issue debentures to the amount of \$600,000 for the purpose of constructing gas works.

**Municipal Power:**

Realizing the great advantages afforded to manufacturers, power users and the householders generally by having available an abundant supply of electric energy for power and lighting purposes, the City of Winnipeg in 1905 reached a decision to undertake an hydro-electric development as a municipal enterprise. After a careful examination of the hydraulic resources of the Winnipeg River, the engineers of the City reported in favor of the site at Point du Bois, the estimated cost of the development being \$3,250,000, and in June, 1906, the ratepayers expressed themselves in favor of

the City expending this amount of money on municipal hydro-electric works. The designs for the works were commenced in the fall of 1906 and tenders received and contracts let for the general works in January, 1909, and for machinery for equipment of the Generating Station in September, 1909.

The construction and equipment of the system, including the Transmission Line, Terminal Station and a portion of the distribution lines in the City, was completed on October 16, 1911. Upon completion of a thirty days test the plant was turned over to the City for operation, and it speaks volumes for the excellence of design, construction and equipment of the works when the fact is known that from the time the electric power was first turned on the plant has given service without interruption of any kind.

Twentieth Century Magazine. 7:8-15. November, 1912.

Municipal Lighting. C. M. Sheehan and Albert Firmin.

The United States today is knit together by a labyrinth of roads, avenues, streets, and alleys upon which the rich and the humble, the just and the unjust, are free to traverse on a common basis, without let or hindrance, so long as a decent regard for the rights of other wayfarers is observed. These thoroughfares, with practically no exceptions, were cut and constructed and are now being maintained by the people, through diverse political units or governments ranging in form all the way from simple village boards of supervisors to great municipalities like New York City. We have become so accustomed to this state of affairs, and the results have been so eminently satisfactory, that we never question the wisdom which prompted or the force of public opinion which has continued it. Though we may be desirous at times of changing the particular government officials who are empowered to exercise supervision over our thoroughfares, and occasionally find it imperative to do so, we never entertain any thought of radically changing the system or substituting private for public control.

The care and maintenance of our streets and avenues is a very large and very complex problem, but as we are accustomed to it, we are not awed; yet, strangely enough, when the question arises as to whether or not governments should themselves light public streets, or engage corporations to do so, there is, on the part of many, a timorous uncertainty as to the wisdom of public ownership, and in some cases a vigorous denunciation of the plan. This denunciation is based on the assumption that the government cannot perform such work as satisfactorily as the corporations. That is to say, we accept the greater problem and shy at the lesser. In some cases, while this extreme view is not entertained, the almost equally absurd view is advanced that, though the government should be permitted to illuminate the thoroughfares, it should be strictly confined to that work alone, and restrained from connecting the wires or pipes of such street system with the residences, stores, and factories of its citizens which line them. Yet in many cases those who fear such an extension of government ownership are the users of water delivered by municipal agencies, or the recipients of some other form of government activity of a parallel character. It is to show that there is nothing startling in the proposition of municipal ownership of lighting plants, and that such municipal plants are making headway even against tremendous and unfair antagonism, that this article is written. At this time, municipal electric lighting plants only will be considered.

The commercial conditions of the past fifty years have brought about a situation where men engaged in business are impelled to win trade, not by the superiority of the wares they offer or the modesty of their prices, but by preventing would-be rivals from engaging in competition against them. The effort is so to bring matters about that the market, whatever it be, shall be monopolized and fenced in for personal exploitation. The electric lighting of municipalities and villages is no exception. Those who at the outset of the development of electric lighting feared competition from municipal ownership or entertained designs of exploita-

tion, quickly secured legislation to prevent cities and towns from constructing, purchasing, or taking over plants for public operation, except upon conditions which are intentionally designed to be difficult to fulfil. Ordinarily, the village, town, or city which desires to establish an electric-light plant must first obtain the consent of the legislature. The influence in our several legislatures of the interests that are antagonistic to the extension of public ownership is a matter of such common knowledge that it is not necessary to more than call it to mind here, when it will be seen what difficulties are likely to be encountered in the effort of citizens of a town or city to secure from the legislature enabling acts. Then when the consent of the legislature is finally obtained, the consent of the local authorities must be procured. After all of which it not infrequently happens that the question must be submitted to popular vote, and ordinarily finally to win out it must secure at least three-fifths of all votes cast on the proposition—in many cases, indeed, the affirmative vote must be equal to three-fifths of the vote cast for the highest officer voted for at the same election, so that every person who fails to vote on the proposition has his vote counted against public ownership. And, after all these difficulties have been overcome, the contract for construction or the details of purchase must be approved by certain of the local authorities. While all these obstacles have to be overcome before a municipal plant can be installed, a private corporation can usually procure a franchise to supply current by a mere majority vote of a quorum of a legislature. Thus while a municipality is encountering difficulties which seem created to embarrass and harass it, the corporation can secure from the legislature the franchise it desires, and finds its path both straight and smooth. Yet with all these obstacles in the way, municipal ownership of electric-light plants has grown from one, in 1881, to 1377, in 1911.

It will be observed that the people are awaking to the necessity of municipal operation, for while in 1882 the ratio of public to private plants was but 1 to  $8\frac{1}{2}$ , in 1892 it was

1 to 5, in 1902, 1 to  $3\frac{1}{2}$ , and in 1911 it reached 1 to  $3\frac{1}{4}$ . If a municipal plant is abandoned, however, or substituted by a private plant, the press agents of the electric interests throughout the country advertise the fact far and wide and it goes forth that municipal ownership is a failure; and this notwithstanding that on the whole it is gaining ground. The Federal Census of 1907 shows that during the preceding five years though only 33 municipal plants changed to private operations, 113 private plants changed to municipal operation.

There is a feature of municipal ownership of lighting plants in the United States to which attention has never been adequately called, and which is of striking force as indicative of the struggle that is going on, and of how the movement towards municipalization is compelled to make headway very largely under the most disadvantageous conditions. In explanation of what this feature is, it should be said that electricity, like most commodities, can be manufactured in large quantities relatively cheaper than in small, and ordinarily the greatest profits can be realized in serving the largest communities. Small communities offer fewer inducements than large for capital, considered dollar for dollar; and hence, while the struggle of the interests has been to prevent the introduction of municipal plants anywhere, the opposition has been strongest in locations where profits have seemed greatest. The burden of supplying the least desirable locations has fallen on the municipalities, yet an analysis of results shows they have been mainly successful.

This feature of confining municipal undertakings to the risks which look unprofitable, and leaving the good things in the commercial world to private concerns is not only true of lighting plants but is exhibited in the case of certain New York City ferries. These are pointed out as municipal failures, whereas the ferries were actually private failures before they were turned over to the city. The companies which operated them could not do so profitably. Matters went from bad to worse, and the communities which were dependent upon them, and particularly Staten Island, saw

ahead great land value and property depreciation, if not absolute ruin, in the event of suspension of traffic, so that the municipality in self-protection was obliged to take that which no corporation or individual would continue. That municipal ownership of ferries would prove a failure from the standpoint of financial returns was a foregone conclusion, but the conditions were and continue such that no form of ownership can be anything but a failure on the same basis. As long as there was a prospect of profit either from operation or stock juggling, the corporation held on; when this ceased, it let go.

It is not to be understood from what has been said, however, that municipal ownership is absolutely confined to small towns, for there are numerous exceptions, and some of the greatest successes have been in large places; but a study of the history of their creation shows that the struggle has been the keenest and the greatest opposition has been encountered where the prospects have indicated that the trial would be most worth while.

In the case of private ownership in large towns and cities, it is very common for the extension of wires to be confined to the principal streets, as is the case in Brooklyn, N. Y. Here a private company has been operating since 1884, yet the streets upon which current can be obtained, even in the thickly settled districts, are comparatively few, and the company gives as an excuse that the cost of extension of its wires is prohibitive; yet in scores of villages throughout the country isolated plants are successfully operated under municipal ownership though the population thereof is no greater than that of a single square block in Brooklyn.

Investigation shows that in 173 places where municipal ownership prevails, with a total population of 1,158,143, the ratio of consumers to population is about one to eleven persons, whereas in Brooklyn, under private ownership, and with all the advantages of a compact population of about 1,700,000 in which to develop business, the ratio is only one to every 110 persons. In 173 places enjoying municipal ownership, it has been found that the ratio of consumers to pop-

ulation is the equivalent of every second family. This is important, for it shows, from the standpoint of service, that people must be getting what they want or they would not be seeking it so largely.

Naturally the question as to whether or not municipal plants are furnishing current as cheaply as private plants is very common. Let us again take the Brooklyn company as a standard of privately owned plants, a high exemplar of which it professes to be. Until recently its ordinary rate was 12 cents per kilowatt, but following a campaign by a leading civic association, in July, 1912, it reduced it to 11 cents, with much advertising of its concession; yet out of 251 plants recently investigated, all operated municipally, it was found that 201 charged less than 11 cents.

An analysis has been made of eighteen municipal plants whose method of bookkeeping conforms in details of cost to that of the Brooklyn company, the object being to compare the cost of the various units which enter into the cost of current. The results are shown in the accompanying table.

It is noticeable that the actual cost of generation and distribution combined is practically the same in the municipal and the private concerns. There is a wide difference, though, between the "general expenses" and "fixed charges" of the public and of the private company. It will be observed that the Brooklyn Edison Co., the private company, charges up under these headings two and a quarter cents out of a total cost of four and seventy-three one hundredths cents, whereas only one of the public plants equals this figure, and most of them are even below one cent. Further inquiry shows that, under the head of fixed charges, the municipalities in several instances are including sinking funds. The reason this item is so heavy in the case of private companies is that interest upon bonded indebtedness must be met from this fund, and the swollen bonded indebtedness is the burden that tells.

The corporations are forever complaining that they are oppressed by taxation and that it is unfair to compare them with municipal plants for the reason that such are untaxed, yet with our specimen private company we see that taxa-

TABLE SHOWING COMPARATIVE COST OF PRODUCING ELECTRICITY BY THE FOLLOWING MUNICIPAL PLANTS AND THE BROOKLYN EDISON COMPANY.

tion is but three-tenths of a cent per kilowatt, out of a total cost of four and seventy-three one hundredths cents, and this includes the special franchise tax. Investigation brought out an interesting fact in respect to this company in this particular. In the report of the Public Service for 1908, it was set forth that the tangible property on which the "Kings County system" (Brooklyn system) is assessed for taxes was but \$1,581,240, to which was added franchise value of \$10,550,000, or a total of \$12,131,240 on which tax was assessed, yet the reported capitalization was \$20,805,993.92. It is conceded that the value placed on the property for the purpose of taxation was too low, and, it is fair to infer, was adopted to escape taxation. But even allowing for this, it is plainly apparent that the capitalization was out of all proportion to the actual value of the plant and equipment. The franchise value represents mainly capitalization of excess profits. How much better it is for the communities to construct their own plants and confine capitalization to the actual cost than to permit private parties to pyramid capitalization in this way and then burden the consumers with a weight of interest even to eternity.

In the case of private plants, whether business grows or not, there is practically never an effort to diminish indebtedness. The men who dominate the affairs of corporations are largely those who derive their incomes from the interest on the bonded indebtedness of their undertakings, and naturally the effort is to perpetuate and not to terminate their bonds. In the case of municipally owned plants there is contrary effort. It is found, for instance, that the municipal plants mentioned in the following table, forty-two in all, are free of debt:

City	Value of Plant
Sanitary District of Chicago, Ill.....	\$4,036,599
Chicago, Ill. ....	2,788,909
Logansport, Ind. ....	750,000
Jacksonville, Fla. ....	515,703
Fort Wayne, Ind. ....	300,000
Owensboro, Ky. ....	211,000

Coldwater, Mich.	170,000
Henderson, Ky.	161,000
Austin, Minn.	85,000
Bangor, Me.	85,000
Auburne, Ind.	75,000
Peru, Ind.	65,000
Galveston, Texas	65,000
Bay City, Mich.	57,974
Whitehall, Mich.	50,000
Aurora, Ill.	46,469
Clarkson, Neb.	40,000
So. Brooklyn, Cleveland, Ohio	40,000
Paducah, Ky.	36,000
Ada, Minn.	30,000
St. Peter, Minn.	30,000
Carmi, Ill.	30,000
Appleton, Minn.	25,000
Bayfield, Wis.	20,346
Elkhorne, Wis.	29,866
St. Joseph, Minn.	20,000
Shelbina, Mo.	20,000
Wolfboro, N. H.	20,000
Solvay, N. Y.	20,000
Arcadia, Wis.	20,000
Columbus, Wis.	20,000
Thornton, Ind.	19,000
Little Rock, Ark.	15,000
Sonway, Ark.	15,000
Fairfield, Iowa	15,000
Blair, Wis.	15,000
Westfield, N. Y.	12,000
St. Clairsville, Ohio	10,000
La Grange, Mo.	7,500
Erie, Colo.	4,000
Bath, Ill.	3,200
Benedict, Neb.	3,000
<hr/>	
	\$9,982,546

Of the 259 municipal plants with a total valuation of \$25,402,106, the bonded indebtedness amounted to but \$8,961,579. The municipalities ordinarily undertake to create a sinking fund for liquidating the bonds as they fall due, but how seldom it is that corporations do so. The suggestion that the public service corporations should be compelled to create a sinking fund for the liquidation of succeeding bond issues is of but recent origin, and as yet has secured no considerable indorsement, though it is a matter of exceeding great importance to the public. Yet so long as our lax laws permit the continuation of the system now prevailing, bonded debts will mount not only up to the full value of the plants but to a point where it will exceed this value and will discount future earnings.

It is true that the cost of all the various municipal plants mentioned as free from debt has not been paid exclusively from earnings, but in some cases from taxation, but the time is coming when the public will recognize that it is better to pay for whatever is required outright by taxation and thereafter freely to enjoy it even unto eternity than to acquire it by means of indebtedness and pay the bill at the expiration of a long period of drain from interest charges, which are more than likely to exceed in the aggregate the original debt. In the case of municipal lighting plants, and other undertakings of a kindred character, when there are reasonable prospects of amortizing the initial cost by earnings, there is justification for incurring indebtedness, but sound finance dictates that municipalities should incur other debts only in extreme and very exceptional cases. The evil that ensues from a departure from this rule is shown in the case of New York City, where last year the interest charges on the outstanding debt were 27 per cent of the taxes raised.

To engage private corporations to do the work of public agencies offers no escape from the evils of bonded indebtedness, as may be seen by reverting to what has already been said in respect to such corporations being enamored of their debts and ever reluctant to diminish them. The substitution of the name "corporation" for the name "government" does

not alleviate, for in the end the public must bear the burden. Then also municipalities are able to borrow at less interest than corporations, so that when bonded debt is incurred by them the burden is not as great as when incurred by corporations.

The greatest deterrent to municipal ownership is the fear of graft, yet the insidious pyramiding of bonded indebtedness and the watering of stock by private corporations is greater in magnitude than graft ever was. Mr. Roger W. Babson has estimated that there is \$30,000,000,000 of water in the capitalization of the corporations of the United States. This means that we are now paying interest on excess capitalization to the amount of \$100 per family, or one-half as much as taxes to the national, state, county, and municipal government paid on a per capita basis by the citizens of New York City, the highest taxed people in the world. The corporation is conducted for the advantage of those controlling it at any particular time, and it seldom happens that the interests of those in control and the general public are regarded as identical, so that it is not surprising the municipal plants, which are directly contrary in purpose, being constructed and operated for the public and not for private gain, should compare therewith much more than favorably.

There can be no longer any doubt that municipal ownership is here to stay. Everything points to the absorption by the government of those undertakings which are essentially monopolies. There will doubtless be scattered cases where success will not be achieved, where the municipal plants will lapse back into private hands, but with advancing civilization and the rapid growth of our cities, electric lighting will become increasingly essential for our well-being, and it will be brought more forcibly home to us than ever that we cannot, without great jeopardy, permit interests with ends inimical to the great welfare to control it. One-half of our lives we are subjected by nature to darkness, which can be relieved only by artificial means. There is but one safe repository for a means so vital to our well-being, and that is in the hands of the people themselves.

Twentieth Century Magazine. 7:27. November, 1912.

Public Ownership of Urban and Suburban Street Transportation. Henry Demarest Lloyd.

Municipal ownership would mean:

For the street car employees:

Better wages,

Shorter hours,

Other gains, and in so far as they are citizens,

Self-employment. They would continue wage-workers, but wage-workers of the public of which they are a sovereign part.

For other employees a daily exhibit of this difference between public and private employment.

For the public:

1. Lower fares.

2. Better service.

3. The latest improvements.

4. Inclusion of public health, decency, distribution of population as elements to be considered in the development of the street-car lines.

5. Removal of the corrupting influence of the street car millionaires in press, politics, pulpit, society, the clubs, the Council, etc.

6. Cutting out a link, and a most important one, in the chain of the private, profit-seeking monopolies of public utilities, making the next step that much easier.

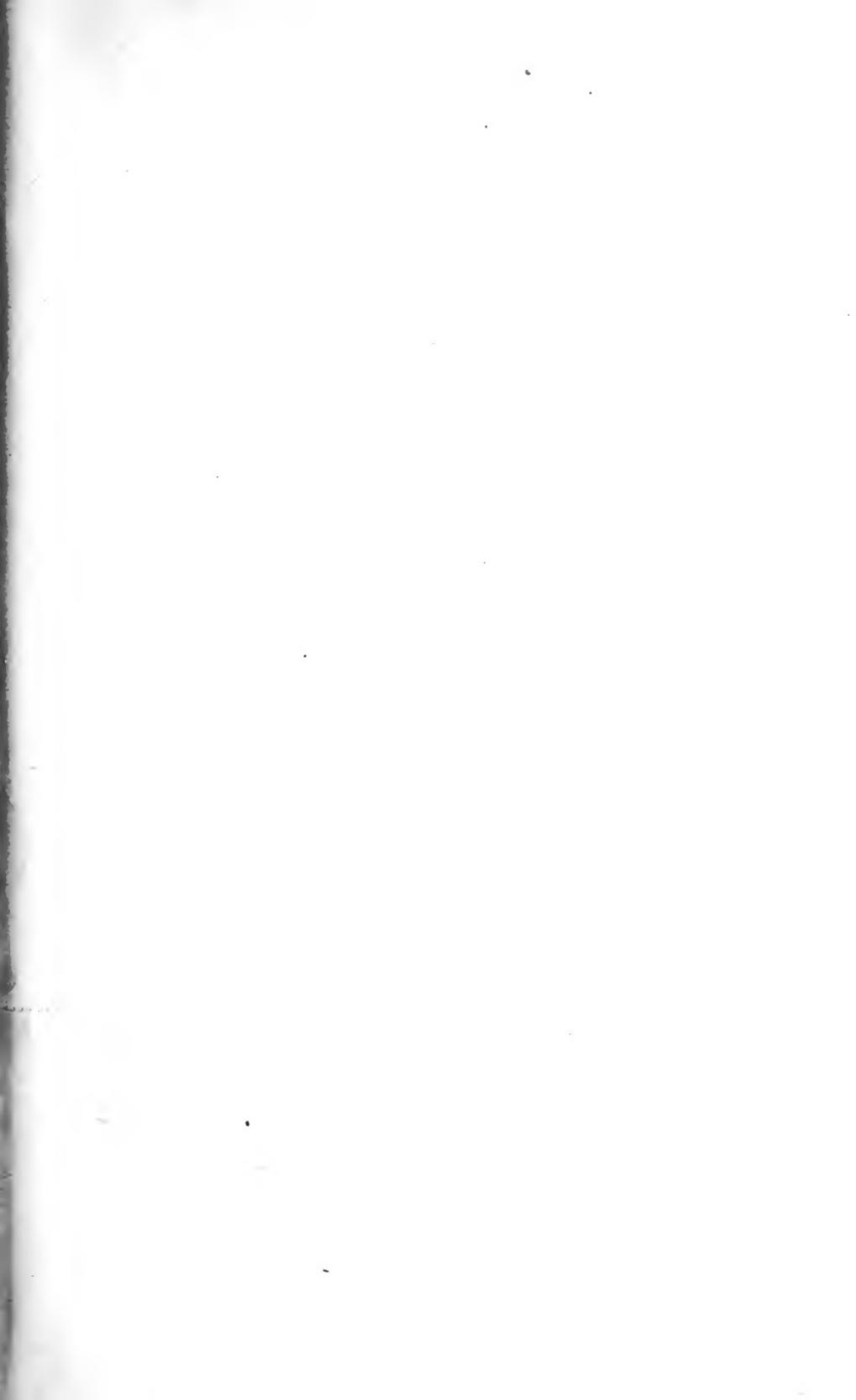
7. Educating the public in the public ownership and operation of the "means of production, distribution, and exchange," and giving them confidence to proceed to other socializations as light, land, houses, docks, manufacture of articles used by the city, and from that to manufacture of articles used by the citizens.

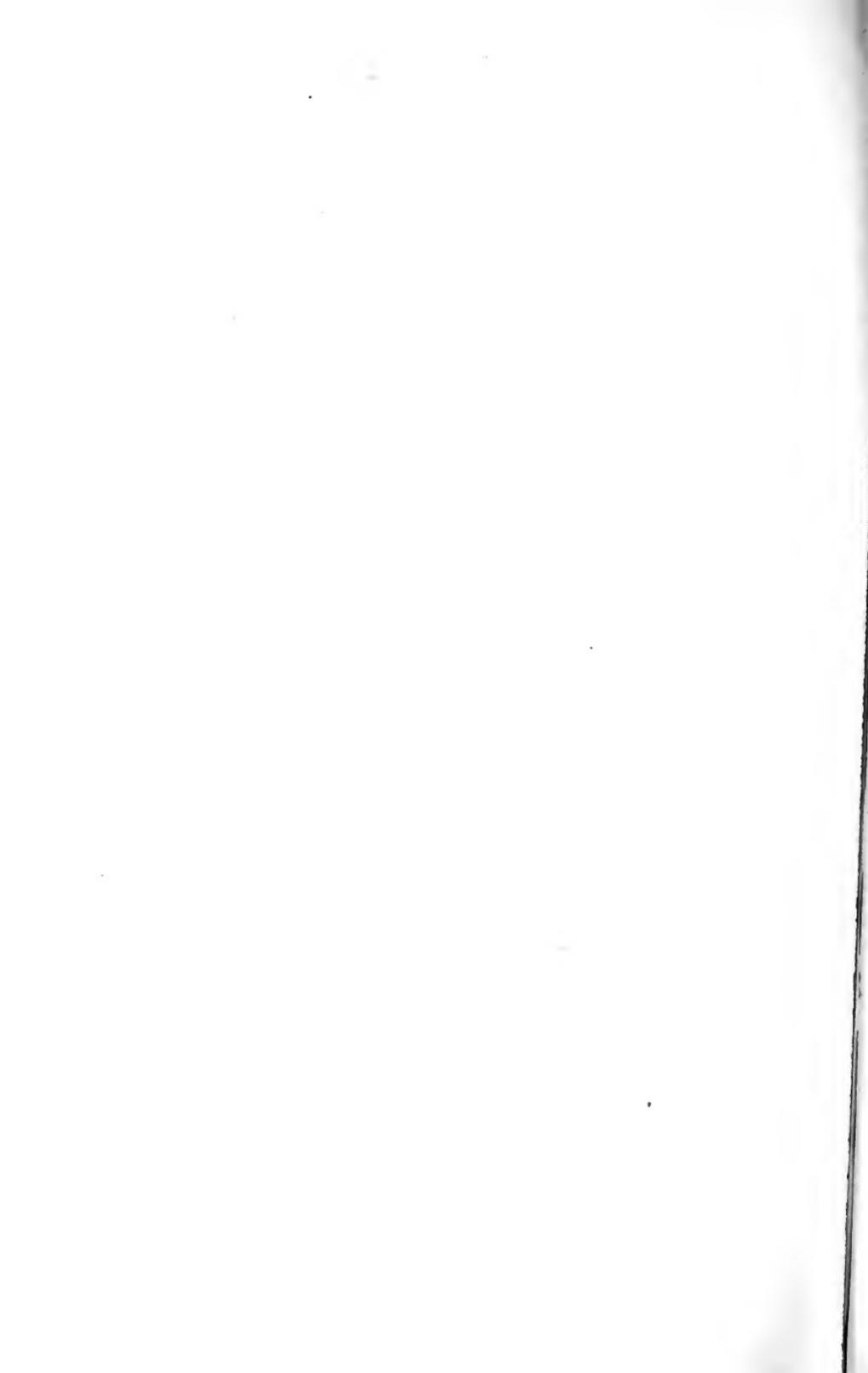
8. Enabling land values to be (1) modified as by extensions into the country, by "one city, one fare" rates: (2) socialized as by municipal experiments, like those in London and elsewhere in buying land, building houses—another form

of the "ownership and operation of the means of production, distribution, and exchange."

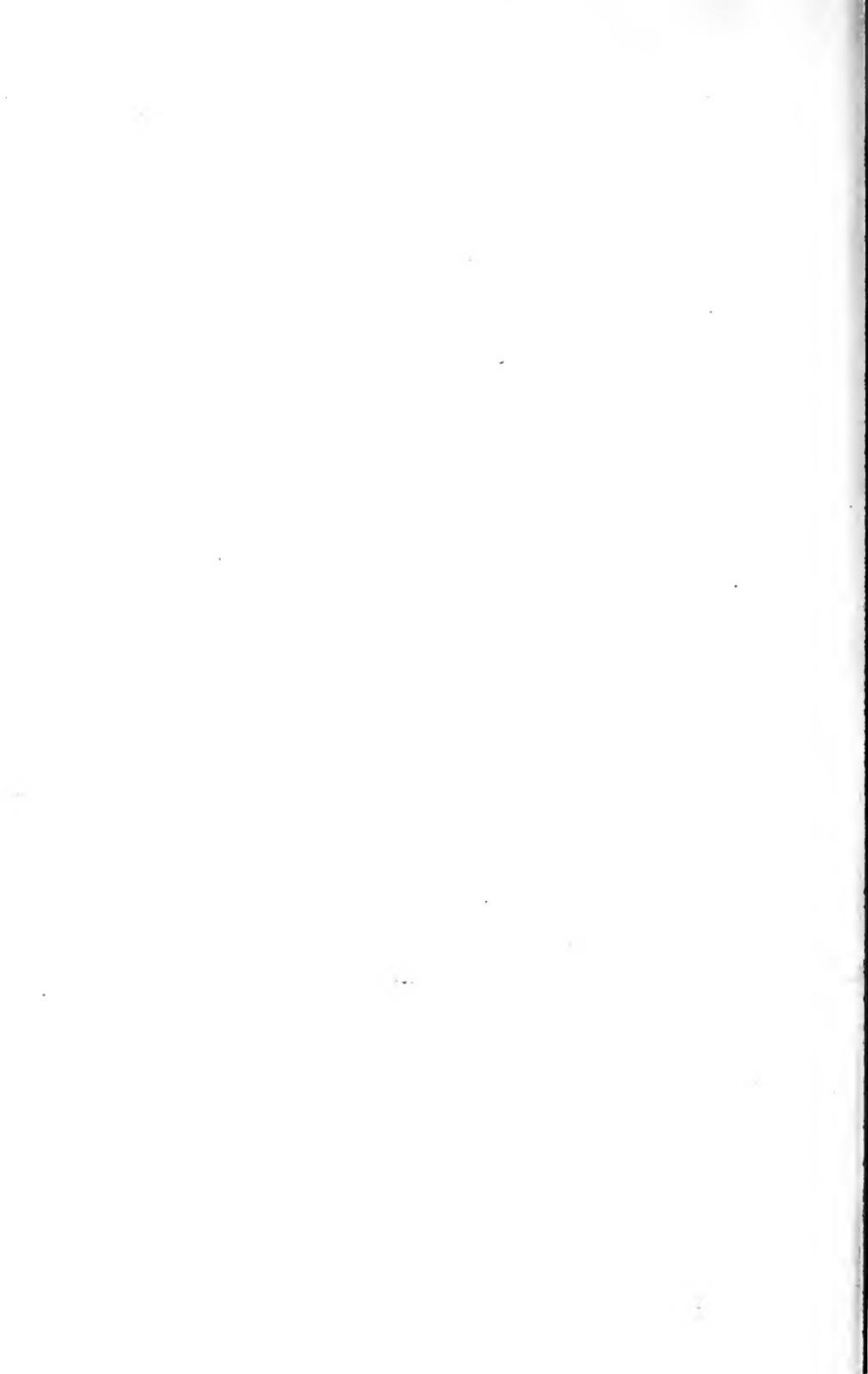
9. Bringing electric lighting and heating within practical reach, since the power plants could also furnish light and heat.

Here is a movement in which every step towards socialization is made easy for us. The industry presents in an aggravated form every evil of which the socialists complain in the modern situation, exploitation, corruption, monopoly. Every citizen is in touch with the evil, and by tens of thousands they can be taught socialist doctrine and let to co-operate in socialist work. The saving of fares would be the smallest item in the lists of human benefits, but still a saving of \$12 to \$24 a year by every man, woman, and working child who uses the cars regularly is something, is it not? Our total federal tax is only \$75 per capita.











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